BASF Factbook 2008

A deeper insight

Published in July 2008

BASF

The Chemical Company

The cover shows Dr. Elitsa Evstatieva and Dr. Axel Meyer, laboratory managers of the department Polymer Colloids in Polymer Research, Ludwigshafen, Germany

Forward-looking statements
This publication may contain forward-looking statements. These statements are based on current expectations, estimates and projections of BASF management and currently available information. They are not guarantees of future performance, involve certain risks and uncertainties that are difficult to predict and are based upon assumptions as to future events that may not prove to be accurate.
Many factors could cause the actual results, performance or achievements of BASF to be materially different from those that may be expressed or implied by such statements. Such factors include those discussed in BASF's Report 2007 on pages 106ff. We do not assume any obligation to update the forward-looking statements contained in this publication.

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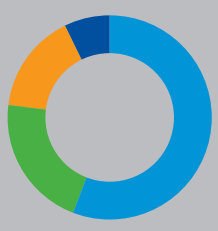
BASF is the world's leading chemical company – The Chemical Company. With over 95,000 employees as well as close to 100 large and a multitude of smaller production sites worldwide, we serve customers and partners in almost every country of the world.

Our portfolio ranges from oil and gas to chemicals, plastics, performance products, functional solutions and agricultural solutions. As a reliable partner, we help our customers in almost all industries to be more successful. Our high-value products and intelligent system solutions play an important role in finding answers to global challenges such as climate protection, energy efficiency, nutrition and mobility.

In 2007, the BASF Group posted sales of €58 billion and income from operations of €7.3 billion.

Balanced portfolio

Sales 2007	%
Chemicals	16
Plastics	17
Performance Products	15
Functional Solutions	16
Agricultural Solutions	6
Oil & Gas	18
Other	12



Sales by region 2007
(location of customer)

	%
Europe	56
North America	21
Asia Pacific	16
South America, Africa, Middle East	7

Board of Executive Directors

Responsibilities of the members of the Board of Executive Directors are as follows:

Dr. Jürgen Hambrecht (Chairman of the Board of Executive Directors): Legal, Taxes & Insurance; Strategic Planning & Controlling; Communications BASF Group; Global HR – Executive Management & Development; Investor Relations; Chief Compliance Officer

Dr. Kurt Bock: Finance; Catalysts; Market & Business Development North America; Regional Functions North America; Information Services; Corporate Controlling; Corporate Audit

Since 1865, we have been shaping the future with chemistry and combining innovation with tradition. We are proud of who we are and what we do: BASF – The Chemical Company. Chemistry is our strength. It makes us and our customers successful – today and in the future.

1865–1901

Friedrich Engelhorn founds Badische Anilin & Soda Fabrik to produce coal tar dyes. Soon thereafter, the company gains a leading position in the world dyes market with methylene blue, alizarin and indigo.

1901–1925

The synthesis of ammonia by the Haber-Bosch process paves the way for the production of synthetic nitrogen fertilizers. In 1919, the Nobel Prize in chemistry is awarded to Fritz Haber.

1925–1945

BASF becomes part of IG Farbenindustrie AG. Advances in high-pressure technology enable the production of synthetic gasoline and rubber and products from acetylene. In 1931, the Nobel Prize in chemistry is awarded to Carl Bosch.

Dr. Martin Brudermüller: Performance Polymers; Polyurethanes; Market & Business Development Asia Pacific; Regional Functions & Country Management Asia Pacific; Styrenics

Dr. Hans-Ulrich Engel: Oil & Gas; Region Europe; Global Procurement & Logistics

Dr. John Feldmann: Construction Chemicals; Acrylics & Dispersions; Care Chemicals; Performance Chemicals; Polymer Research

Dr. Andreas Kreimeyer: Research Executive Director; Inorganics; Petrochemicals; Intermediates; Chemicals Research & Engineering; BASF Future Business

Dr. Stefan Marcinowski: Crop Protection; Coatings; Specialty Chemicals Research; BASF Plant Science; Region South America

Dr. Harald Schwager: Human Resources; Environment, Health & Safety; Verbund Site Management Europe; Engineering & Maintenance; Corporate & Governmental Relations

1945–1953

Reconstruction after the severe damage during the Second World War takes a number of years. BASF is reestablished as an independent company in 1952.

1953–1965

Germany's economic miracle paves the way for the plastics era. BASF expands into markets with products such as polystyrene, Styropor®, nylon and polyethylene.

1965–2004

BASF develops into a transnational company with production sites in Europe, North and South America and Asia.

Since 2004

BASF is the world's leading chemical company. In 2005, the new Verbund site in Nanjing, China, begins operation. It represents the largest single investment project in BASF's history. In 2006, BASF buys Engelhard Corporation, USA, its biggest ever acquisition.


BASF

Financial Overview

Ten-year summary

Million €	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Sales and earnings[1]										
Sales	27,643	29,473	35,946	32,500	32,216	33,361	37,537	42,745	52,610	57,951
Income from operations before depreciation and amortization (EBITDA)	4,884	4,671	5,986	4,142	5,105	5,110	7,685	8,233	9,723	10,225
EBITDA margin (%)	17.7	15.8	16.6	12.7	15.8	15.3	20.5	19.3	18.5	17.6
Income from operations (EBIT) before special items	2,553	2,950	3,400	2,293	2,881	2,993	5,230	6,138	7,257	7,614
EBIT before special items margin (%)	9.2	10.0	9.5	7.1	8.9	9.0	13.9	14.4	13.8	13.1
Income from operations (EBIT)	2,624	2,009	3,070	1,217	2,641	2,658	5,193	5,830	6,750	7,316
EBIT margin (%)	9.5	6.8	8.5	3.7	8.2	8.0	13.8	13.6	12.8	12.6
Income from ordinary activities	2,771	2,606	2,827	609	2,641	2,168	4,347	5,926	6,527	6,935
Extraordinary income	–	–	–	6,121	–	–	–	–	–	–
Income before taxes and minority interests	2,771	2,606	2,827	6,730	2,641	2,168	4,347	5,926	6,527	6,935
Income before minority interests	1,664	1,245	1,282	5,826	1,599	976	2,133	3,168	3,466	4,325
Net income	1,699	1,237	1,240	5,858	1,504	910	2,004	3,007	3,215	4,065
Capital expenditures and depreciation[1]										
Additions to tangible and intangible assets	3,722	3,253	6,931	3,313	3,055	3,415	2,163	2,523	10,039	4,425
Thereof property, plant and equipment	2,899	2,764	3,631	3,037	2,677	2,293	2,022	2,188	4,068	2,564
Depreciation of tangible and intangible assets	2,260	2,662	2,916	2,925	2,464	2,452	2,492	2,403	2,973	2,909
Thereof property, plant and equipment	1,843	2,018	2,245	2,307	2,012	1,951	2,053	2,035	2,482	2,294
Number of employees										
At year-end	105,945	104,628	103,273	92,545	89,389	87,159	81,955	80,945	95,247	95,175
Annual average	106,928	107,163	105,784	94,744	90,899	88,167	85,022	80,992	88,160	94,893
Personnel costs[1]	6,010	6,180	6,596	6,028	5,975	5,891	5,615	5,574	6,210	6,648
Key data[1]										
Earnings per share (€)[2]	1.36	1.00	1.01	4.86[3]	1.30	0.81	1.83	2.86	3.19	4.16
Cash provided by operating activities	3,744	3,255	2,992	2,319	2,313	4,878	4,634	5,250[4]	5,940	5,807
Payments related to intangible assets and property, plant and equipment	2,722	2,939	2,906	2,811	2,410	2,071	2,057	1,948	2,411	2,562
Free cash flow	1,022	316	86	(492)	(97)	2,807	2,577	3,302[4]	3,529	3,245
Return on assets (%)	11.9	10.2	9.9	3.1	8.4	7.4	13.2	17.7	17.5	16.4
Return on equity after tax (%)	13.2	9.1	9.0	36.6[3]	9.3	6.0	12.9	18.6	19.2	22.4
Free cash flow/sales (%)	3.7	1.1	0.2	(1.5)	(0.3)	8.4	6.9	7.7	6.7	5.6
Number of shares as of December 31[2] (in thousands)[5]	**1,247,588**	**1,241,970**	**1,214,798**	**1,166,802**	**1,140,632**	**1,113,286**	**1,080,880**	**1,028,758**	**999,360**	**956,370**

[1] Starting in 2005, the accounting and reporting of the BASF Group is performed in accordance with International Financial Reporting Standards (IFRS). The 2004 figures have been reported in accordance with IFRS. The figures for years up to and including 2003 were prepared according to the German Commercial Code.
[2] Adjusted for 2:1 stock split 2008
[3] Including extraordinary income
[4] Before external financing of pension obligations
[5] After deduction of repurchased shares intended to be canceled

Ten-year summary*

Balance sheet (German Commercial Code)

Million €	1998	1999	2000	2001	2002	2003
Intangible assets	1,965	2,147	4,538	3,943	3,464	3,793
Tangible assets	10,755	12,416	13,641	14,190	13,745	13,070
Financial assets	1,826	1,507	3,590	3,360	3,249	2,600
Fixed assets	**14,546**	**16,070**	**21,769**	**21,493**	**20,458**	**19,463**
Inventories	3,703	4,028	5,211	5,007	4,798	4,151
Accounts receivable, trade	4,017	4,967	6,068	5,875	5,316	4,954
Other receivables	1,856	2,211	3,369	2,384	2,947	3,159
Deferred taxes	1,077	1,225	1,270	1,373	1,204	1,247
Marketable securities	746	518	364	383	132	147
Cash and cash equivalents	757	990	506	360	231	481
Current assets	**12,156**	**13,939**	**16,788**	**15,382**	**14,628**	**14,139**
Total assets	**26,702**	**30,009**	**38,557**	**36,875**	**35,086**	**33,602**
Subscribed capital	1,595	1,590	1,555	1,494	1,460	1,425
Capital surplus	2,590	2,675	2,746	2,914	2,948	2,983
Paid-in capital	4,185	4,265	4,301	4,408	4,408	4,408
Retained earnings	8,695	9,002	8,851	12,222	12,468	12,055
Currency translation adjustment	39	549	662	532	(330)	(972)
Minority interests	331	329	481	360	396	388
Stockholders' equity	**13,250**	**14,145**	**14,295**	**17,522**	**16,942**	**15,879**
Pensions and other long-term provisions	5,561	5,812	6,209	6,809	6,233	6,205
Tax and other short-term provisions	2,185	2,826	3,334	3,332	2,764	2,982
Provisions	**7,746**	**8,638**	**9,543**	**10,141**	**8,997**	**9,187**
Financial indebtedness	1,316	1,294	7,892	2,835	3,610	3,507
Accounts payable, trade	1,871	2,316	2,848	2,467	2,344	2,056
Other liabilities	2,519	3,616	3,979	3,910	3,193	2,973
Liabilities	**5,706**	**7,226**	**14,719**	**9,212**	**9,147**	**8,536**
Provisions and liabilities	**13,452**	**15,864**	**24,262**	**19,353**	**18,144**	**17,723**
Thereof long-term liabilities	6,898	7,529	9,059	9,955	9,211	10,285
Total stockholders' equity and liabilities	**26,702**	**30,009**	**38,557**	**36,875**	**35,086**	**33,602**
Equity ratio (%)	50	47	37	48	48	47
Gearing ratio (%)	102	112	170	110	107	112
Net debt	559	304	7,386	2,475	3,379	3,026

*Starting in 2005, the accounting and reporting of the BASF Group is performed in accordance with International Financial Reporting Standards (IFRS).
The 2004 figures have been reported in accordance with IFRS. The figures for years up to and including 2003 were prepared in accordance with German Commercial Code.

Balance sheet (IFRS)

Million €	2004	2005	2006	2007
Intangible assets	3,607	3,720	8,922	9,559
Property, plant and equipment	13,063	13,987	14,902	14,215
Investments accounted for using the equity method	1,100	244	651	834
Other financial assets	938	813	1,190	1,952
Deferred taxes	1,337	1,255	622	679
Other receivables and miscellaneous long-term assets	473	524	612	655
Long-term assets	**20,518**	**20,543**	**26,899**	**27,894**
Inventories	4,645	5,430	6,672	6,578
Accounts receivable, trade	5,861	7,020	8,223	8,561
Other receivables and miscellaneous short-term assets	2,133	1,586	2,607	2,337
Marketable securities	205	183	56	51
Cash and cash equivalents	2,086	908	834	767
Assets of disposal groups	–	–	–	614
Short-term assets	**14,930**	**15,127**	**18,392**	**18,908**
Total assets	**35,448**	**35,670**	**45,291**	**46,802**
Subscribed capital	1,383	1,317	1,279	1,224
Capital surplus	3,028	3,100	3,141	3,173
Retained earnings	11,923	11,928	13,302	14,556
Other comprehensive income	(60)	696	325	174
Minority interests	328	482	531	971
Stockholders' equity	**16,602**	**17,523**	**18,578**	**20,098**
Provisions for pensions and similar obligations	4,124	1,547	1,452	1,292
Other provisions	2,376	2,791	3,080	3,015
Deferred taxes	948	699	1,441	2,060
Financial indebtedness	1,845	3,682	5,788	6,954
Other liabilities	1,079	1,043	972	901
Long-term liabilities	**10,372**	**9,762**	**12,733**	**14,222**
Accounts payable, trade	2,372	2,777	4,755	3,763
Provisions	2,364	2,763	2,848	2,697
Tax liabilities	644	887	858	881
Financial indebtedness	1,453	259	3,695	3,148
Other liabilities	1,641	1,699	1,824	1,976
Liabilities of disposal groups	–	–	–	17
Short-term liabilities	**8,474**	**8,385**	**13,980**	**12,482**
Total stockholders' equity and liabilities	**35,448**	**35,670**	**45,291**	**46,802**
Equity ratio (%)	47	49	41	43
Gearing ratio (%)	114	104	144	133
Net debt	1,212	3,033	8,649	9,335

Factors influencing sales
Contribution to sales growth (%)

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Volumes	1.7	5.8	6.5	(0.3)	7.8	7.6	9.4	2.5	5.5	4.9
Prices	(6.0)	(3.9)	11.3	(1.4)	(5.2)	2.1	6.6	11.0	8.3	2.5
Currencies	(0.5)	1.6	6.6	(0.5)	(2.9)	(7.3)	(4.4)	1.0	(0.2)	(3.8)
Acquisitions / divestitures	1.7	3.1	(2.4)	(7.4)	(0.6)	1.2	0.9	(0.6)	9.5	6.6
Total	**(3.1)**	**6.6**	**22.0**	**(9.6)**	**(0.9)**	**3.6**	**12.5**	**13.9**	**23.1**	**10.2**

Shareholder returns

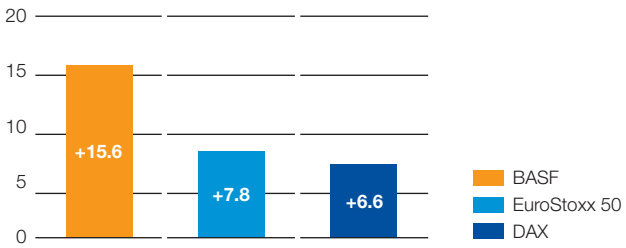
Million €	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Share buybacks		256	700	1,300	500	500	726	1,435	938	1,899
Dividends	693	695	789	758	789	774	904	1,015	1,484	1,831
Special dividends			425							
Total	**693**	**951**	**1,914**	**2,058**	**1,289**	**1,274**	**1,630**	**2,450**	**2,422**	**3,730**
Dividend per share (€)[1]	0.56	0.57	0.65	0.65	0.70	0.70	0.85	1.00	1.50	1.95
			+0.35[2]							
Share price at year-end (€/share)[1]	16.25	25.95	24.09	20.88	18.04	22.29	26.50	32.36	36.93	50.71
Dividend yield (%)	3.4	2.2	4.2[3]	3.1	3.9	3.1	3.2	3.1	4.1	3.8
Payout ratio (%)	41	56	98[3]	13[4]	52	85	45	34	46	46
Price/Earnings ratio (P/E ratio)	11.9	26.0	23.8	4.3[4]	13.9	27.5	14.5	11.3	11.6	12.2
Free cash flow yield (%)[5]	5.0	1.0	0.3	(2.0)	(0.5)	11.3	9.0	9.4	9.6	6.7

[1] Adjusted for 2:1 stock split 2008
[2] Special dividend of stockholders' equity charged with 45% corporate income tax
[3] Including special dividend of stockholders' equity charged with 45% corporate income tax
[4] Including extraordinary income
[5] Free cash flow per share at year-end dividend by share price at year-end

Dividend policy
We aim to increase our dividend further in the future and plan to at least maintain the dividend at the previous year's level.

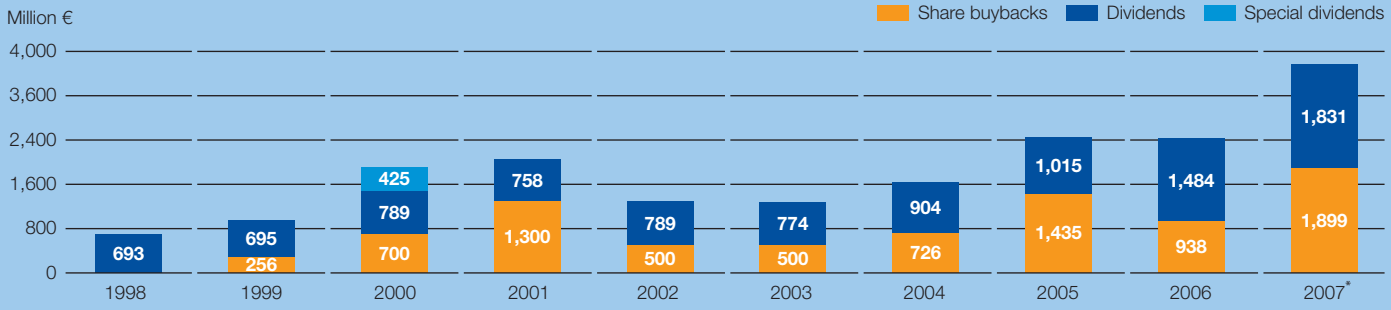
Share buyback
In order to increase our earnings per share and optimize our capital structure, we plan to buy back shares for a total of €3 billion from mid-2008 to mid-2010.

Investment in BASF shares (1998–2007)
Average total annual return in %*



* With dividends reinvested

Cash returned to shareholders
Million €



*With regard to the number of qualifying shares on December 31, 2007

Regional results*

Sales by location of company

Million €	1998	1999	2000	2001	2002	2003	Million €	2004	2005	2006	2007
Europe	18,508	19,119	22,203	19,399	18,987	20,372	Europe	22,536	25,093	31,444	34,316
Thereof Germany	12,188	12,718	14,457	13,417	13,315	14,070	Thereof Germany	15,216	17,100	22,963	24,312
North America	6,210	6,783	8,441	7,772	7,932	7,214	North America	8,165	9,542	11,415	12,007
Asia Pacific Area, Africa	1,620	2,087	3,175	3,487	3,950	4,303	Asia Pacific	4,911	6,042	7,450	8,785
South America	1,305	1,484	2,127	1,842	1,347	1,472	South America, Africa, Middle East	1,925	2,068	2,301	2,843
Total	**27,643**	**29,473**	**35,946**	**32,500**	**32,216**	**33,361**	**Total**	**37,537**	**42,745**	**52,610**	**57,951**

Sales by location of customer

Million €	1998	1999	2000	2001	2002	2003	Million €	2004	2005	2006	2007
Europe	16,672	16,996	20,103	17,984	17,697	19,120	Europe	21,343	23,755	29,529	32,367
Thereof Germany	7,011	6,934	7,897	7,212	6,944	7,073	Thereof Germany	7,382	8,865	11,062	11,967
North America	6,249	6,733	8,419	7,654	7,808	7,163	North America	8,182	9,479	11,522	11,928
Asia Pacific Area, Africa	3,082	3,862	4,924	4,674	5,051	5,313	Asia Pacific	5,309	6,500	8,102	9,561
South America	1,640	1,842	2,500	2,188	1,660	1,765	South America, Africa, Middle East	2,703	3,011	3,457	4,095
Total	**27,643**	**29,473**	**35,946**	**32,500**	**32,216**	**33,361**	**Total**	**37,537**	**42,745**	**52,610**	**57,951**

Income from operations (EBIT)

Million €	1998	1999	2000	2001	2002	2003	Million €	2004	2005	2006	2007
Europe	2,033	1,258	2,577	1,926	2,357	2,224	Europe	4,236	4,385	5,485	5,415
Thereof Germany	1,301	542	1,864	1,347	1,690	1,642	Thereof Germany	3,131	3,019	4,125	4,226
North America	515	481	99	(678)	23	10	North America	286	855	869	762
Asia Pacific Area, Africa	60	144	161	(28)	203	218	Asia Pacific	361	297	181	828
South America	16	126	233	(3)	58	206	South America, Africa, Middle East	310	293	215	311
Total	**2,624**	**2,009**	**3,070**	**1,217**	**2,641**	**2,658**	**Total**	**5,193**	**5,830**	**6,750**	**7,316**

*Starting in 2005, the accounting and reporting of the BASF Group is performed in accordance with International Financial Reporting Standards (IFRS). The 2004 figures have been reported in accordance with IFRS. The figures for years up to and including 2003 were prepared according to the German Commercial Code. Effective January 1, 2005, companies in Asia are reported in the region "Asia Pacific". South America, which was previously reported separately, is now reported together with the geographic regions Africa and Middle East in the region "South America, Africa, Middle East". The 2004 figures have been reported in accordance with this.

Sensitivities

Currency impact on BASF Group

Annual impact of US$ change
(US$ exchange rate: –1 US$-cent per €)

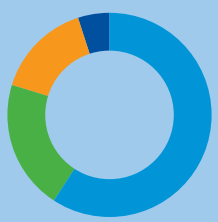
	Million €
Sales	+250
EBIT	+40

Oil price impact on segment Oil & Gas

Annual impact of US$1/bbl rise
in annual average oil price (Brent)

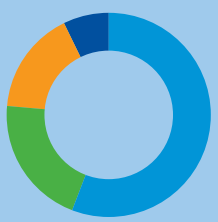
	Million €
Sales	+90
EBIT	+35
Net income	+7

Sales by location of company 2007



A

Sales by location of customer 2007



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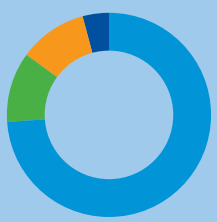
Income from operations (EBIT) 2007



C

	A	B	C
Europe	59%	56%	74%
North America	21%	21%	11%
Asia Pacific	15%	16%	11%
South America, Africa, Middle East	5%	7%	4%

Investment highlights

– #1 chemical company worldwide with balanced portfolio and long-term strategy
– Competitive advantage based on unique Verbund concept and operational excellence
– Superior growth opportunities through strong positioning in growth markets, acquisitions in core businesses and an excellent innovation platform
– Innovator and solution provider for the challenges of the future
– Sustainable value creation based on sound balance sheet and financial strength

Strategy

BASF is the world's leading chemical company – The Chemical Company. We aim to constantly increase the value of our company by profitable growth and to remain the number one in chemistry. With innovation and new technologies, we open up new market opportunities. We combine economic success with environmental protection and social responsibility. To realize our goals everyday and across the company, the BASF team aligns its activities with four strategic guidelines.

Grow profitably above industry average

Actively optimize portfolio

Set benchmark in operational excellence

Innovate for future profitable growth

We earn a premium on our cost of capital

We help our customers to be more successful

Find new solutions to tomorrow's challenges of our customers

Interact quickly through transparent business models

Be first mover in emerging markets

Develop and retain industry's strongest talent pool

Build on diversity

Anticipate demographic change through generations@work

Be passionate for winning trust and bringing values to life

We form the best team in industry

We ensure sustainable development

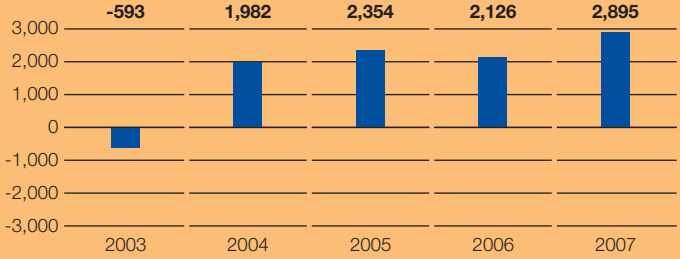
Proactively address future challenges and societal demands

Demonstrate leadership in resource efficiency throughout the entire value chain

Design sustainability deeply into products, services and processes

Increasing premium on our cost of capital

Premium on cost of capital in billion €



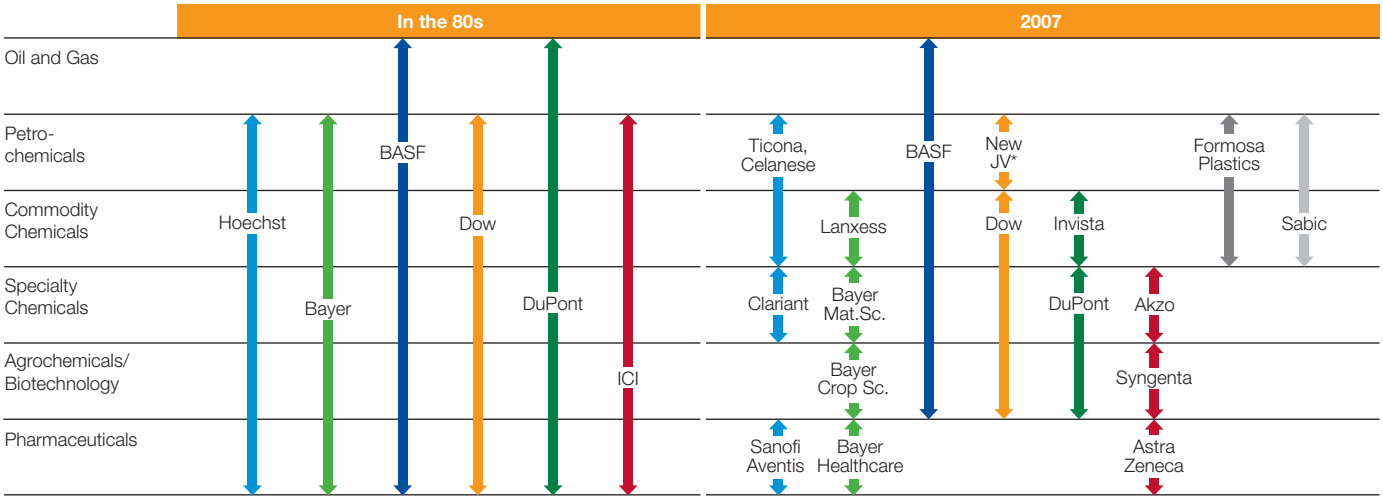
As of 2004, according to IFRS

Calculation of EBIT after cost of capital 2007

	Million €
EBIT BASF Group	7,316
less EBIT for activities not assigned to the segments[1]	(293)
less noncompensable foreign income taxes for oil production	1,302
less cost of capital[2]	3,412
EBIT after cost of capital	2,895

[1] This net expense is already provided for in the cost of capital percentage
[2] 9% on the average operating assets of the segments

Strategic positioning of BASF



*New 50/50 Joint Venture: Dow, Petrochemicals Industries Company

Superior growth opportunities

Good position in growth markets	Active portfolio optimization	Excellent innovation platform
Strong presence in Asia	Acquisitions in core businesses	Market-driven innovation
Enhance position in high growth businesses	Strategic partnerships	Five growth clusters

Excellent platform to enable faster-than-market growth

Excellent growth opportunities through positioning in above-average growth markets

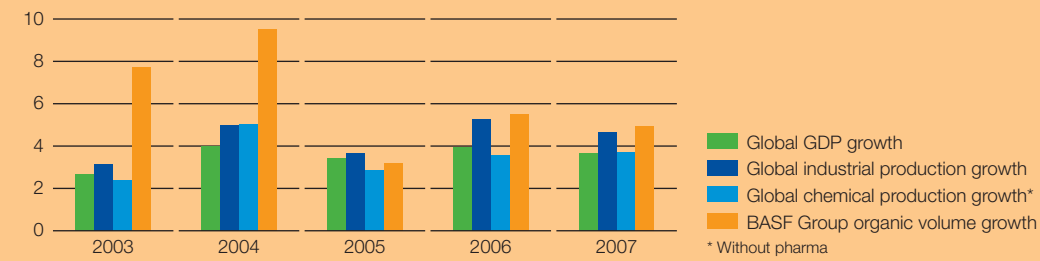
– 65% of sales in businesses with market growth of 3% or higher (i.e. above chemical market growth of 2.8%)
– Strong market positions of BASF businesses in those high growth markets
– Strong regional positioning in emerging markets with above-average growth

Percentage of sales* 2007 in businesses …	%	Examples
… with market growth of >5%	20	Admixture systems, polybutylene terephthalate, specialty polymers and foams, electronic materials, inorganic specialties, polyurethanes
… with market growth of 3–5%	45	Plasticizers, amines, polymer dispersions for adhesives, personal care ingredients, catalysts, construction systems, superabsorbent products, polyamide
… with market growth of <3%	35	Automotives refinish, fungicides, herbicides, insecticides, paper chemicals, vitamins

*Excl. Oil & Gas, Styrenics commodities and Precious & Base Metal Services

Organic growth well above market

Volume growth in %



* Without pharma

Resilience to industry-specific demand fluctuations

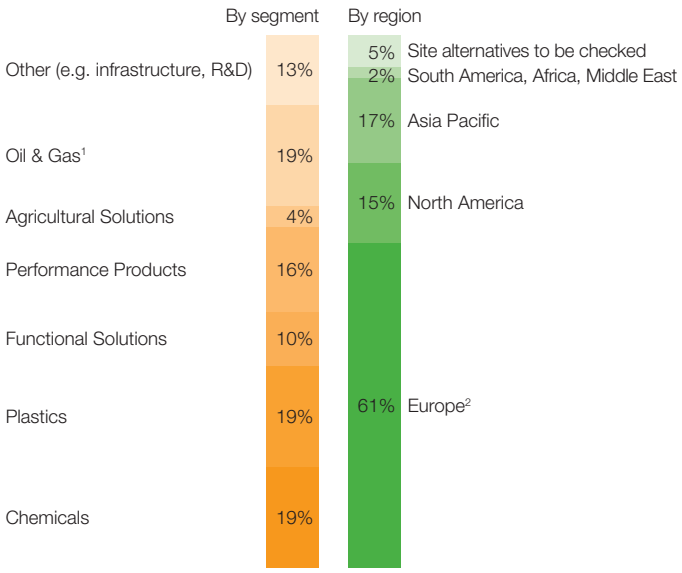
BASF's strength is not only that it has a broad product range, but also that it supplies almost every industry. Moreover, this generates important incentives for innovation. This balance makes the company relatively resilient to factors affecting individual industries.

BASF sales by industry
Percentage of sales in 2007*

> 15%	Chemicals (not an industry with end users)
10–15%	Automotive | Construction | Utilities
5–10%	Agriculture | Plastics industry | Oil industry
< 5%	Electrical/electronics | Furniture | Paper

*Other industries: approximately 10–15% of total sales in 2007, distribution by direct customers of BASF

Further growth through investments 2008–2012
(€11.0 billion[1])



[1] Excluding investments in Nord Stream and Yuzhno Russkoye (approx. €2 billion until 2012)
[2] Thereof 19 percentage points Oil & Gas

Financial targets

Our financial targets for the next five years*

– We expect to grow volume on average 2 percentage points per year above chemical market (excl. pharma)

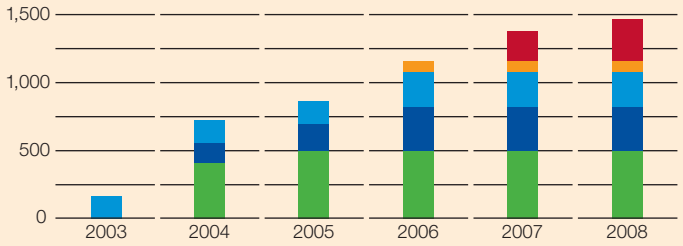
– We expect to realize an EBITDA margin of greater than 14% under general trough conditions

– We expect to achieve an EBITDA margin of 18% in this time frame

*Based on existing portfolio; oil price of US$100 per barrel; US$1.40–1.50 per €

Operational excellence: constantly improving our cost base

Annualized cost savings in million €



Global efficiency improvement program
€210 million by 2007
€300 million by 2008 expected

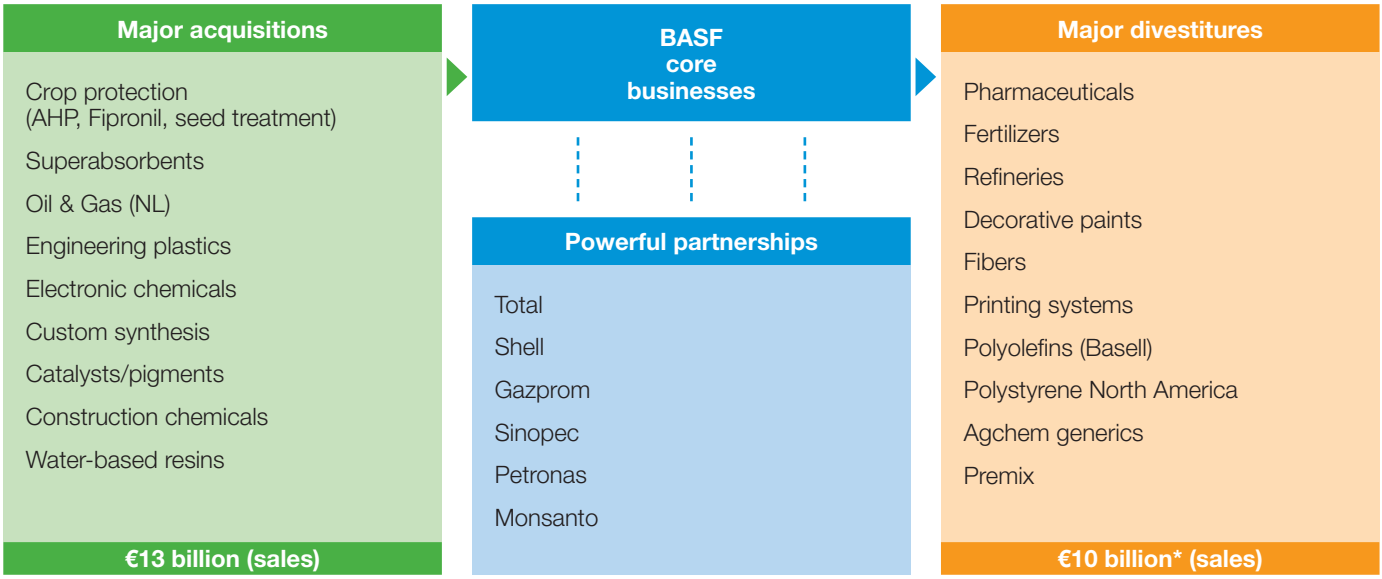
Antwerp, Belgium
>€70 million as of end 2006

Europe
€250 million as of end 2006

North America
US$400 million as of mid 2006

Ludwigshafen, Germany
€480 million as of mid 2005

Active portfolio management 1998–2007



*Including non-consolidated sales from Basell

Partnerships

Strategic partnerships with leading players are an important pillar in BASF's active portfolio management. These partnerships help improve the profitability of the overall portfolio. Among the most important partners for BASF are:

Gazprom
– Partner in natural gas trading activities since 1993. The joint ventures (e.g. Wingas) buy and sell natural gas as well as build and market natural gas transmission systems and storage facilities.
– E&P activities: Further joint projects include Achimgaz and Yuzhno Russkoye (for more details please see pages 74 and 75).

Monsanto
– The cooperation with Monsanto, which started in 2007, is described in detail on pages 26 and 27.

Petronas
– 40% partner in BASF Petronas Chemicals Sdn. Bhd. in Kuantan, Malaysia, since 1997.
– The joint venture operates a Verbund site with the production of syngas, oxo alcohols, acrylic monomers, phthalic anhydride and plasticizers as well as a butanediol plant since 2001.

Sinopec
– 50% partner in BASF-YPC Company Ltd., the integrated petrochemicals site in Nanjing, China, since 2000, with a total investment of US$2.9 billion in the first phase.
– BASF and Sinopec plan to expand the site with an investment volume of US$900 million. The plants started operations in 2005.

Total
– Via Atofina Petrochemicals Inc. 40% partner in BASF FINA Petrochemicals since 1998, which operates a world-class single-train liquids steam cracker in Porth Arthur, Texas, since 2002.
– Partner in Sabina Petrochemicals LLC, a joint venture between Shell Chemical L.P., BASF Corporation and Atofina Petrochemicals Inc. since 1973, which operates a world-scale C4 olefins complex adjacent to the steam cracker since 2004.

Priorities for use of cash

1. Investments in R&D
2. Investment in organic growth
3. Acquisitions
4. Dividends
5. Share buybacks

Our goal is to acquire businesses that
1. Generate growth above the industry average
2. Are innovation-driven
3. Offer a special value proposition to customers
4. Reduce earnings cyclicality

Financial acquisition criteria
1. Positive contribution to EPS: accretive by year three at the latest
2. Minimum discount rate: 9% applied on earnings after tax
3. Additional return requirements depending on country risk

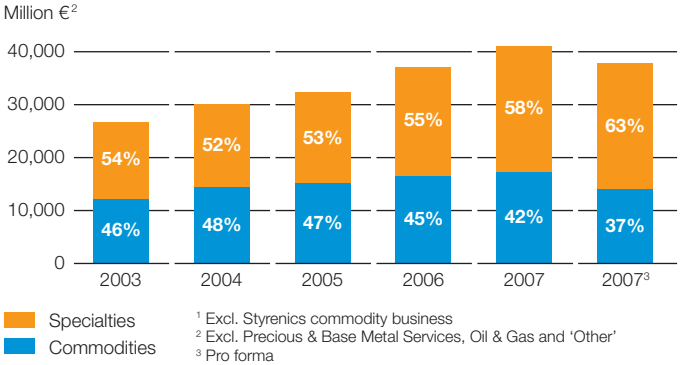
Commodities versus specialties: Basic definition principles

	Maximum commodity character	Maximum specialty character
Market pricing		
Is pricing public and are cost structures transparent to the customer?	Public or based on cost-related formula	Value pricing decoupled from raw material cost cycle
What are the main pricing drivers?	Raw material costs Supply/demand balance	Prices reflect the value added to customer
Raw material costs		
How much does raw material account for in the sales price?	> 65%	< 40%
Substitutability – switching cost/time for the customer		
How easily can our customers switch to a different supplier?	Defined chemical entity Properties specified with few parameters Customer can easily switch to a different supplier	Customer's production process has to be adapted Switching takes significant amount of time and money Few suppliers

	Maximum commodity character	Maximum specialty character
Technical service and sales channel		
How are the products sold?	Standard terms	Longer-term customer specific commitments
Is technical service relevant for the customer?	No service needed	Customized package (e.g. technical service) is essential
Entry barrier		
Are specific know-how and technology relevant?	Low barrier Know-how and technology are easily accessible	Long-term experience needed Advanced technology Patent protection
Competitors		
How many competitors are in the strategically relevant market?	Many	Few
How do competitors behave?	Competition driven by price, aim for higher market share and capacity utilization	Competition by differentiation

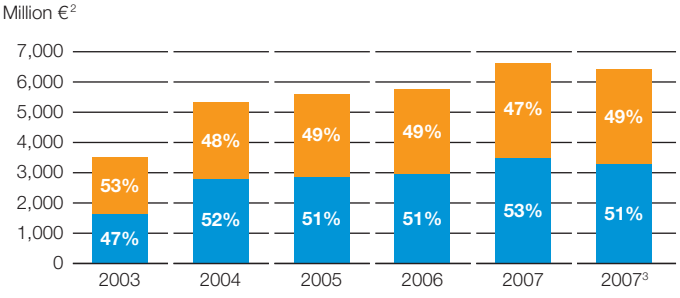
Increasing share of specialties

Development of net sales to third parties
Acquisitions in 2006 contributed substantially to higher share of specialty businesses within chemical portfolio
– CAGR (2003–2007[1]):
Specialties: 13.1%
Commodities: 3.6%

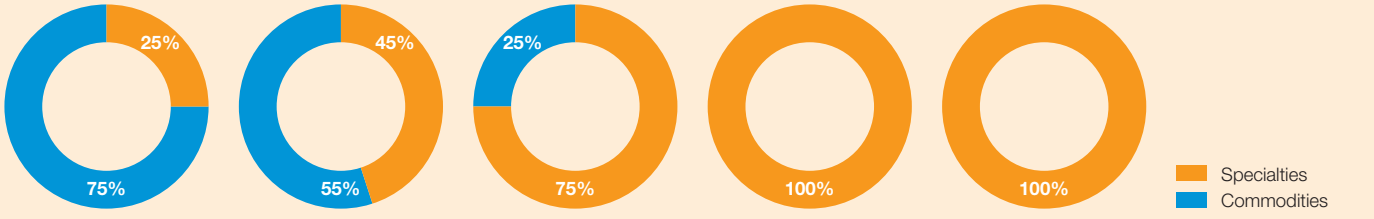


[1] Excl. Styrenics commodity business
[2] Excl. Precious & Base Metal Services, Oil & Gas and 'Other'
[3] Pro forma

Development of EBITDA
– Sustainable EBITDA improvement fueled by market growth, intelligent portfolio management as well as significant fixed cost savings
– High EBITDA increase in commodity businesses as a result of dedicated business models and favorable supply/demand situation
– CAGR (2003–2007[1]):
Specialties: 13.8%
Commodities: 19.1%



Dedicated commodity and specialty businesses Sales split 2007



[1] Excl. Styrenics commodity business
[2] Excl. Precious & Base Metal Services

Verbund

Our Verbund is one of BASF's greatest assets when it comes to using resources efficiently. It is the foundation for BASF's competitiveness and innovativeness in all regions.

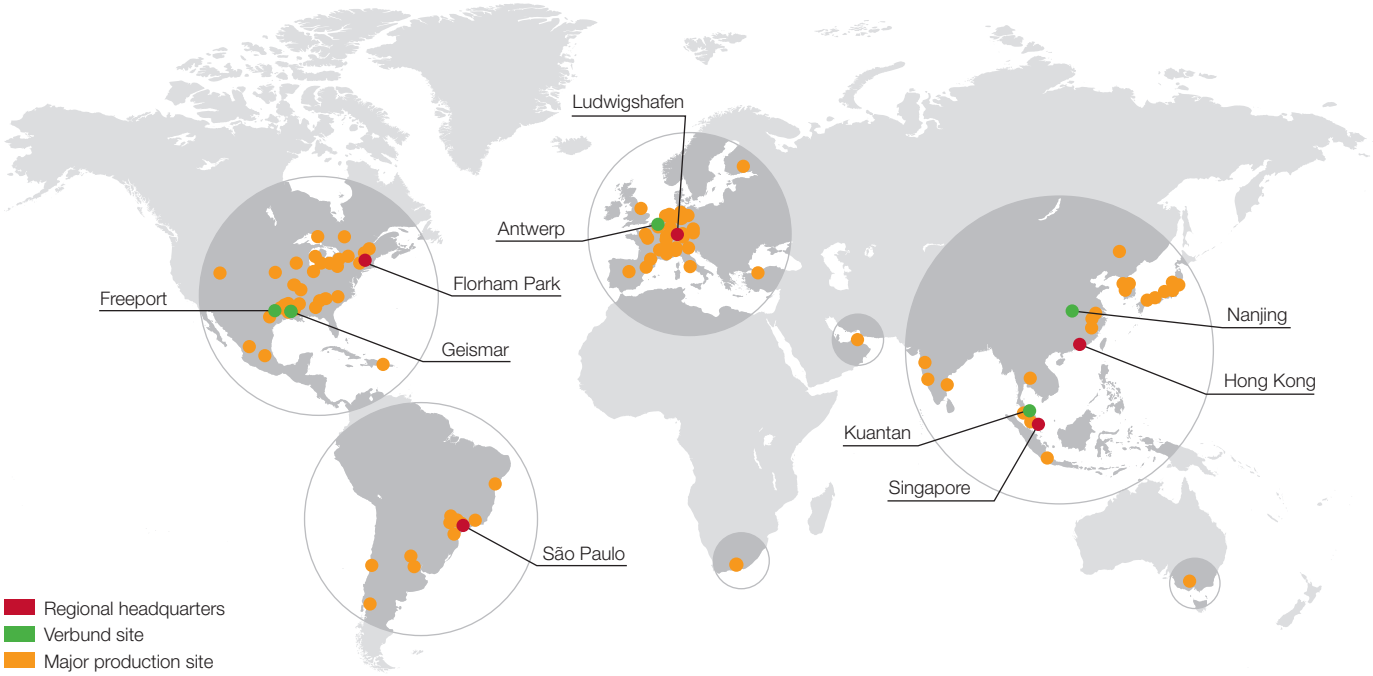
At our Verbund sites, production plants, energy and waste flows, logistics, and site infrastructure are all integrated, so that chemical processes consume less energy, produce higher product yields and conserve resources.

Thanks to its logistically optimized Verbund structure, BASF saves around €500 million each year at its Ludwigshafen site alone.

By linking plants in a Production Verbund, we can create efficient value-adding chains starting with basic chemicals reaching to higher value products like aroma chemicals and crop protection products. In addition, by-products from one plant can be used as raw materials elsewhere. Production plants are connected by an intricate network of pipes that provides an environmentally friendly method of transporting raw materials and energy quickly and safely.

The Verbund principle also applies to energy. Through energy integration the excess heat given off in chemical reactions is immediately converted into steam and is fed into the steam network so that it can be made available to other plants. By that, approximately 1.6 million tons oil equivalent is saved globally by BASF. In 2007, emissions of greenhouse gases per metric ton of sales product were reduced by more than 16% compared to 2002.

The Verbund principle further extends to research and knowledge management through its network of brains. It includes the close cooperation with customers and science as well as the dialogue with neighbors at our sites.



Size, scale and global positioning

Cost-efficient production through six world-scale Verbund sites in all major regions

Preferred partner of choice through proximity to customers

Top 3 market position in 75% of all products and markets

Know-how Verbund with 80 major strategic R&D sites and >1,800 research cooperations with customers and science

Unique Verbund concept: BASF's innovative approach to vertical integration and resource efficiency

Linking plants in a Production Verbund to create efficient value-adding chains from basic chemicals to higher value products

Oil & Gas → Basic Chemicals → Intermediates → Plastics & Performance Products → Agricultural Solutions & Functional Solutions

Concept

- Integrated production
- Secured raw material supply
- Efficient use of by-products
- Minimization of greenhouse gas emissions
- Common infrastructure
- Combined logistics
- Integral research platforms: global R&D Verbund
- Integral customer interaction

Benefits

- Highly efficient production = cost leadership = significant cost savings: approx. €500 million p.a. in Ludwigshafen alone
- Resource efficiency and waste reduction = leadership in sustainability = energy savings: approx. 1.6 million tons oil equivalent p.a. globally
- Integral knowledge management = leadership in innovations (>1,000 patents p.a.)
- Customer orientation = supplier of choice

Main raw materials for the Verbund

The major raw materials that feed BASF's Verbund production sites are hydrocarbon-based raw materials such as naphtha and LPG (liquefied petroleum gas). These are feedstocks for the steam crackers that are operated in Ludwigshafen, Germany; Antwerp, Belgium; Port Arthur, Texas, United States and Nanjing, China. BASF monitors the market for naphtha and hedges its exposure by using swaps and options. Other important hydrocarbon-based raw materials are natural gas, benzene and propylene. Further raw materials for BASF include cyclohexane, ammonia, ethylene and methanol. For its German operations, BASF primarily sources its natural gas from Russia by means of long-term natural gas supply contracts. In the United States, BASF secures its natural gas requirements based on shorter-term supply contracts related to national sources with various suppliers.

Major raw materials

- Ammonia
- Benzene
- Cyclohexane
- Ethylene
- LPG/Condensate
- Methanol
- Naphtha
- Natural gas
- Propylene
- Styrene

Advantages for economic performance and the environment

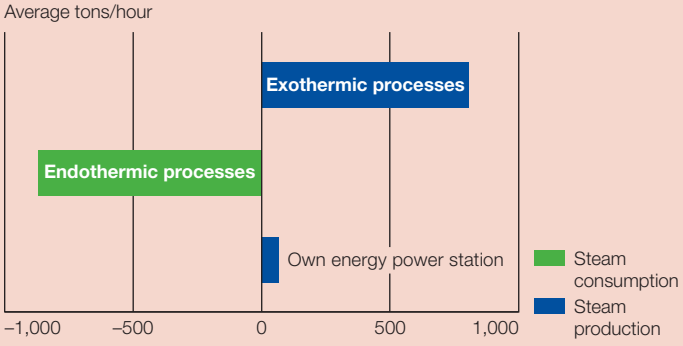
- Extremely efficient use of raw materials and energy
- Conservation of natural resources
- Reduction of emissions and waste
- Innovations for BASF and our customers

Partners in the Verbund network

- Production plants
- Research units
- Customers
- Site community

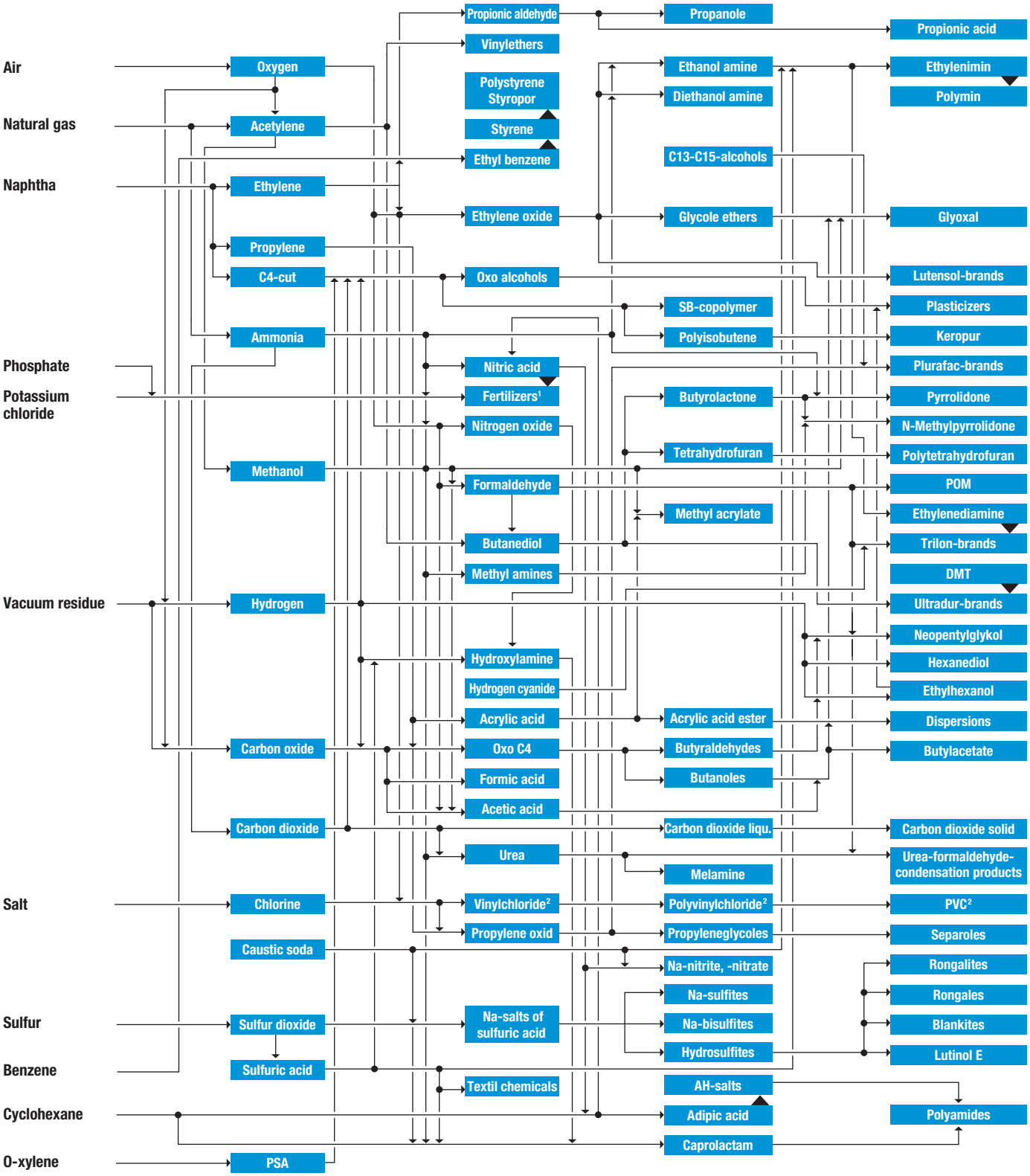
Example: Verbund energy savings in Antwerp, Belgium

Through intelligent combination of production processes, the additional need for energy at our Antwerp site is minimal.



Production in the Verbund

This example of a production flow chart demonstrates how different value chains interact in a Verbund network.



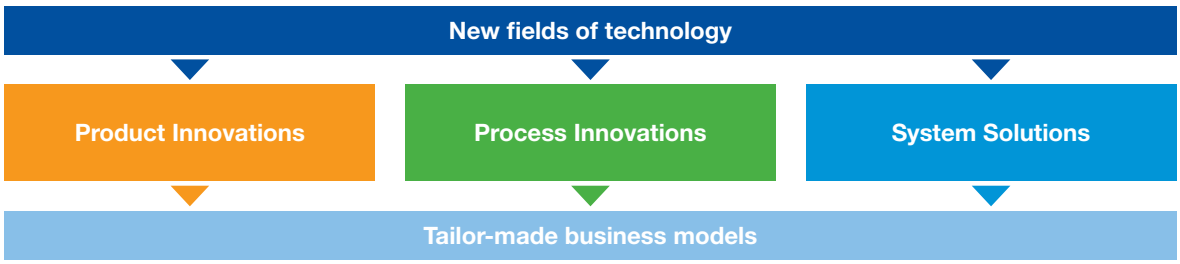
[1] Exclusively sold to fertiva and Compo
[2] Ludwigshafen only, within Solvin JV


BASF
The Chemical Company

Innovation

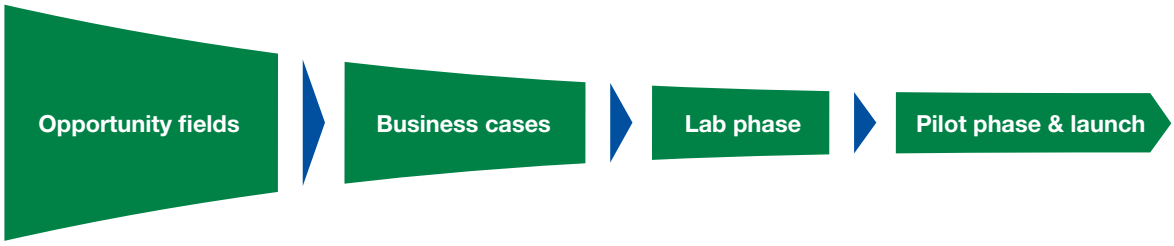
Research and development are essential to ensure profitable growth and to shape the future sustainably. Innovative products, improved processes and intelligent system solutions play a major role in ensuring BASF's success through the success of our customers.

Focus on market-driven innovations



Targeted sales from pipeline

All innovation projects throughout BASF are managed in the PhaseGate process. It consists of defined phases for the entire innovation process: opportunity fields for open idea finding, business cases with consistent project assessment, focused project work in lab phase, pilot phase and launch. Transparent go/stop decisions, based on predefined deliverables, including an update of the business case, defined success criteria and net present value calculations are taken at distinct gates.



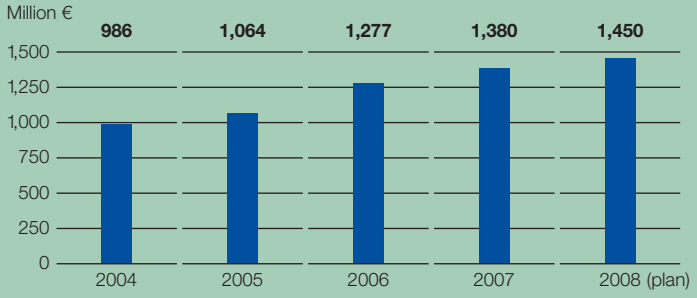
Product innovation

– We expect to generate annual sales of over €4 billion as of 2010 from new or improved products and applications that have been on the market for a maximum of five years
– As of 2015, we expect these sales to rise to €5 billion
– Up to 20% of this is expected to be top-line growth

Growth clusters

– R&D expenditures for growth clusters of more than €900 million from 2006–2008 (approx. 30% funded by operating divisions, 70% corporate funding)
– First projects out of growth clusters came to market in 2007
– Targeted annual sales from growth clusters
  2010: €500–€1,000 million
  2015: €2,000–€4,000 million

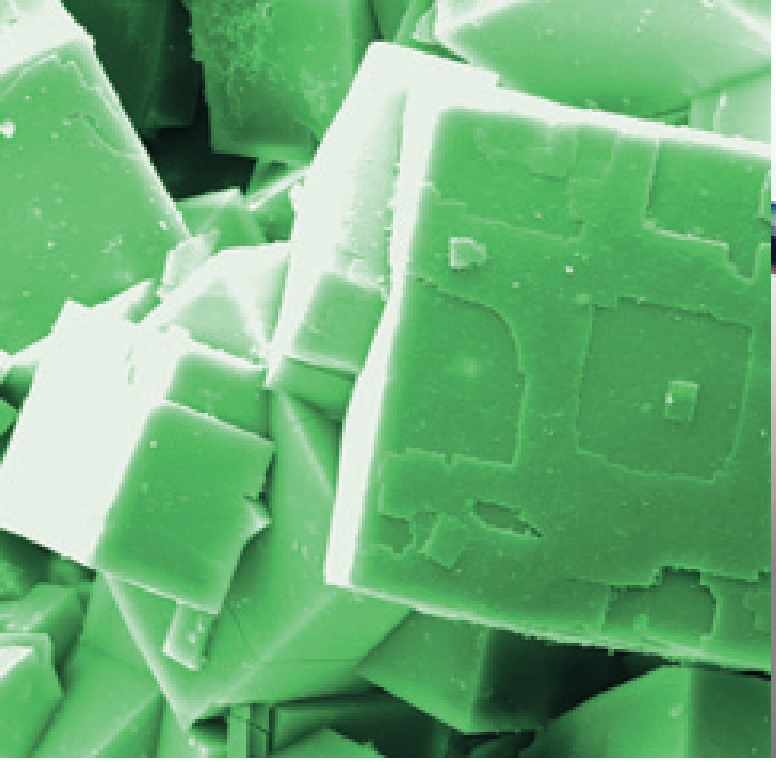
R&D expenditures



R&D expenditure (2007) based on sales

BASF total: 2%

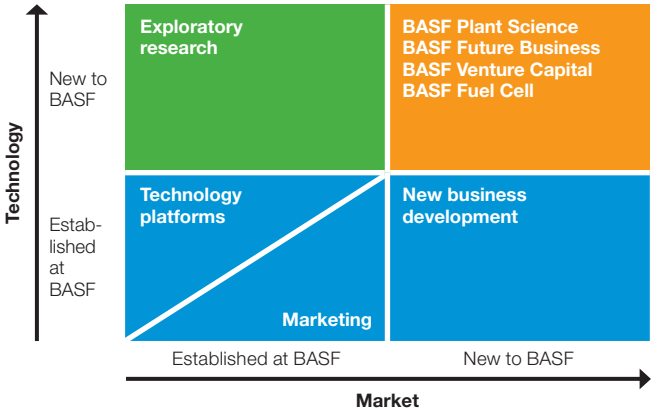
BASF without Oil & Gas: 3%

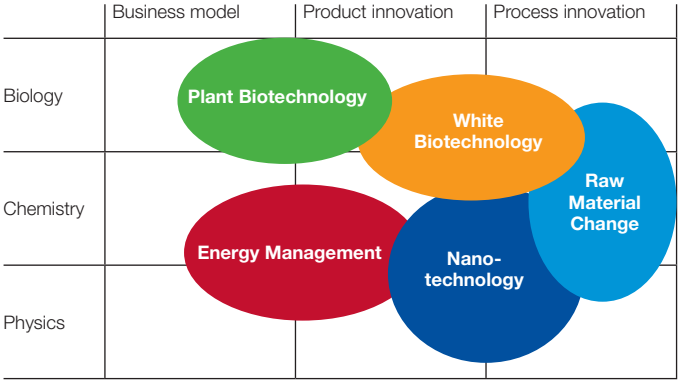


Innovation matrix at BASF

Established technologies within BASF are developed further by our technology platforms. Their application to developed markets is pushed by marketing and technology platforms together. New business development is responsible for tapping new markets with established technologies. Our exploratory research opens new technologies for markets we are already active in. BASF Plant Science, BASF Future Business, BASF Venture Capital and BASF Fuel Cell open up new technologies for emerging business fields.

As part of our research strategy, we combine key technology-driven topics of relevance to the future in five growth clusters: energy management, raw material change, nanotechnology, plant biotechnology and white biotechnology. These are cross-sectional technologies that transcend the conventional demarcation lines between specialist areas. Interdisciplinary and international cooperation ensure that BASF's innovative strength continues to grow.





Distribution of R&D spending 2008 (plan)

	%
Chemicals	10
Plastics	12
Performance Products	17
Functional Solutions	14
Agricultural Solutions	23
Corporate research (incl. plant biotechnology)	24

In addition, <1% Oil & Gas

- Approximately one-third of R&D expenditures are for energy efficiency and climate protection
- Operational units finance approx. 75% of total R&D
- 75% of R&D expenditures in Germany; 17% in North and South America
- >8,600 employees in R&D worldwide at approx. 70 sites
- >2,300 projects
- 1,800 R&D collaborations worldwide; thereof 40% with industrial partners, >50% outside Germany

Focus on five growth clusters

Energy management

BASF researchers are developing new technologies and materials in areas such as renewable energy sources, energy storage and energy conversion, for example for organic solar cells and lithium ion batteries.

– Development of new business areas based on economically attractive products and system solutions, combining internal know-how and collaboration with competence centers worldwide
– Expenditures 2006–2008: approx. €80 million
– Projects: membrane electrode assembly for fuel cells, OLED (organic light emitting displays) for lighting, photovoltaic, lithium ion battery materials, and thermoelectric

Raw material change

BASF experts are working on identifying cost-effective processes for the utilization of alternative raw materials such as natural gas, coal or renewable resources and are evaluating these processes according to technological, economic and environmental criteria.

– Increased usage of alkanes (natural gas = C1–C4) and coal as feedstocks for established value-added chains and usage of renewable resources (e.g. cellulose) as basis for selected products
– Technological leadership with alternative cost-competitive raw material sources, using special in-house competence in the areas of synthesis, catalysis, unit operations and process development
– Expenditures 2006–2008: approx. €100 million
– Projects: Olefins from alkanes, coal to chemicals, utilization of biowaste, cellulose, lignine and glycerol

Nanotechnology

BASF is one of the world's leading companies in the field of chemical nanotechnology and already applies it in established areas of activity such as polymer dispersions and catalysts. This expertise is continuously expanded through intensive research into nanostructured materials and nanoparticles.

– Innovation for construction, households, automotive, personal care, electronics and energy
– Expertise in manufacturing and application of nanostructured materials and surfaces, formulations as well as process engineering
– Strategic partnerships to complement own strengths and to increase certainty of success
– Development of new markets and clients, competitive advantage through improved product properties
– Expenditures 2006–2008: approx. €180 million
– Projects: Advanced materials for insulation, scratch-resistant coatings, nanocomposites, OLEDs and superhydrophilic/-hydrophobic surfaces

White (industrial) biotechnology

BASF combines its wide-ranging expertise in enzyme catalysis and fermentation technology with its core competencies in chemistry and material sciences to create novel solutions for the chemical industry. The focus is on new sustainable processes and enhanced bio-based products for BASF's customers.

– New products, processes and system solutions through fermentation and enzyme technology
– Production of chemicals and polymers based on renewable resources
– Market growth potential above average, broad know-how in enzyme catalysis and fermentation, application know-how
– Expenditures 2006–2008: approx. €160 million
– Projects: Building blocks for pharmaceutical industry and plastics, natural compounds, feed additives, products for hygiene and cosmetics

Plant biotechnology

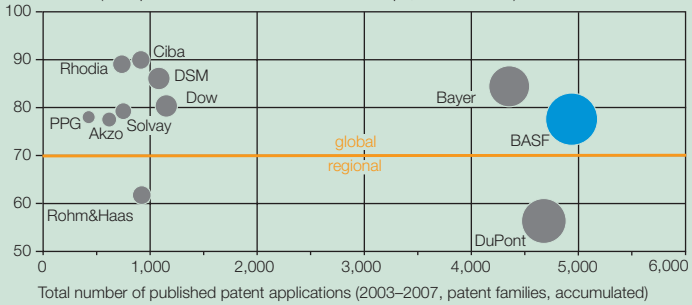
Experts from BASF Plant Science are developing plants for more efficient agriculture, improved nutrition and for use as renewable raw materials.

– Strategic importance underlined by recent cooperation with Monsanto: goals are higher-yielding crops and crops that are more resistant to adverse environmental conditions such as drought for the crops corn (maize), soybeans, cotton and canola (oilseed rape) (see page 27)
– Complements BASF's strong position in agricultural and fine chemicals markets
– Expenditures 2006–2008: at least €400 million
– Projects: Higher yield and improved stress tolerance, potatoes with improved starch composition, oilseeds with healthy fatty acids, nutritionally enhanced corn

When founding metanomics Health in 2003, BASF started to adapt the know-how on measuring, modeling and mastering metabolic networks to humans and animals. This opens up a multitude of applications in the areas of toxicology, drug development, disease prognostics and diagnostics as well as health and nutrition.

Global patent applications

Globalization (% of patent families with members in Europe, U.S. and Asia)



Total number of published patent applications (2003–2007, patent families, accumulated)

– High degree of global patent applications is important
– BASF is the leader in number of global patent applications
– 3 patent applications per day (2007)
– Portfolio of almost 130,000 patents and patent applications

Circle size = number of global patent families

Source:
WPIX by Thomson Reuters
(Companies as in WPIX; DuPont incl. Pioneer Hi-Bred)

Plant biotechnology: Targeting the needs of modern agriculture

BASF's committment and strategy in plant biotechnology

1. Focusing on the most attractive 2nd and 3rd generation agronomic and output traits from the very beginning
2. Holding an extraordinary technology position for high-throughput gene identification based on a novel combination of "metabolic profiling" and "phenotypic screening"
3. Creating a strong development pipeline identifiying highly promising lead genes
4. Commercialization through tailor-made business models
5. Implementing an operating division Plant Biotechnology within the segment Agricultural Solutions when substantial revenues start

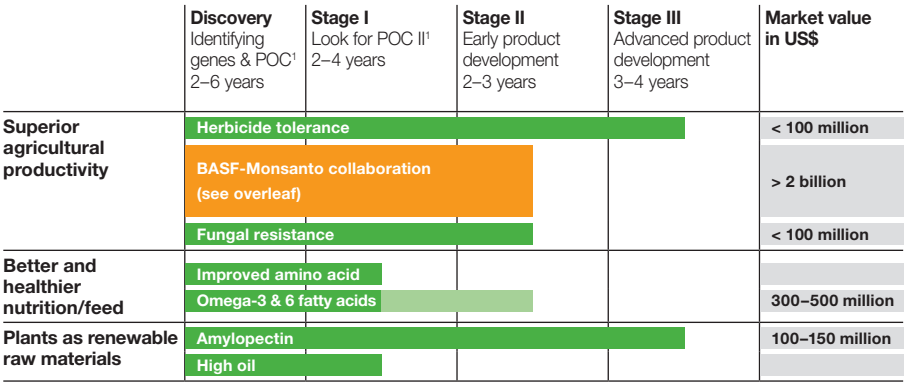
BASF Plant Science has a strong development pipeline focusing on three main areas:

Superior agricultural productivity
– Example: Monsanto collaboration covering yield and stress/ drought tolerance projects (see page 27)
– Example: Fungal resistant potato
Late blight destroys about 20% of the world's potato harvest every year. We transferred resistance genes from a wild potato to cultivated potatoes. Resistance proven in field trials.

Better, healthier nutrition/feed
– Example: Poly-unsaturated fatty acids (PUFAs)
PUFAs are nutritional supplements. Some are for baby food, others prevent aging, reduce cardiovascular diseases and arteriosclerosis. Recommendation is to take 1 to 2 grams per day. Main sources today: fish, fish oil, algae. Project target is to grow PUFAs in oil crops.

Plants as renewable raw materials
– Example: Amflora potato producing amylopectin
Europe produces about 2 million metric tons of potato starch each year, of which a large portion is used for industrial applications such as paper, yarns or glue. Its pure amylopectin starch makes Amflora a renewable raw material that helps to save material, energy and costs. Market potential: peak licensing income of €20–30 million in five years after market introduction. Product is in approval process in the EU.

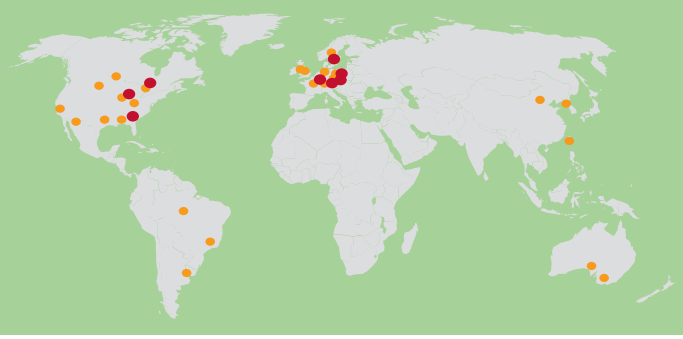
Strong development pipeline in plant biotechnology



¹ POC = 'Proof of Concept' in model crop / POC II: 'Proof of Concept' in target crop

Valuation metrics:
– Market value is given for all projects in stage II and III
– Market value reflects the additional value generated through the plant biotech trait across the respective value chain
– Market value is based on project-specific business models including assumptions of market size and penetration

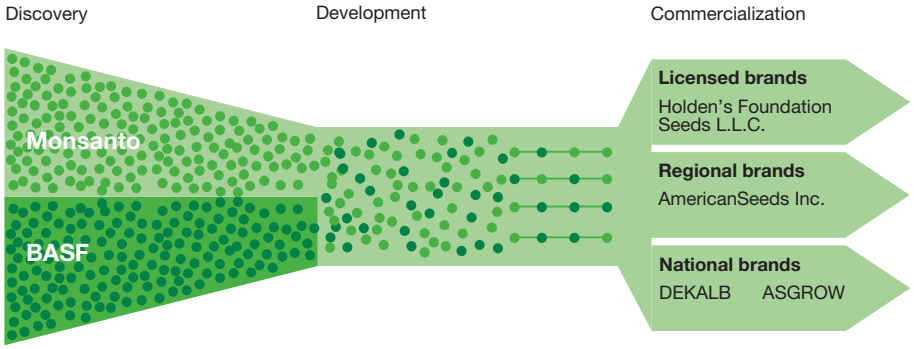
BASF Plant Science – global R&D network with 8 sites in 5 countries



– Extraordinary bundling of diverse, innovative technologies:
  – in-house developments
  – partnering with and founding of start-ups
  – acquisitions
– 700 employees in North America and EU
– 40 collaborations worldwide
– More than 150 external researchers
– Expenditures 1998–2008: €1 billion

Plant biotechnology: Strategic partnership with Monsanto

In March 2007, BASF and Monsanto started a long-term joint research, development and commercialization collaboration in plant biotechnology that will focus on the development of high-yielding crops and crops that are more tolerant to adverse environmental conditions such as drought. Target crops are corn, soybean, cotton and canola.



Discovery:
– Pairing of complementary discovery engines
– Generating leads for nomination into joint R&D

Development:
– 50/50 cost sharing through all phases of development
– Potential overall budget of US$1.5 billion
– Harnessing Monsanto's infrastructure

Commercialization:
– Using Monsanto's existing commercial channels
– Value shared 60% Monsanto, 40% BASF

Progress during this first year of the collaboration shows the strength of the combined discovery engines:

– BASF and Monsanto exchanged hundreds of gene constructs
– Gene pool increased significantly: less than 10% overlap between Monsanto's and BASF's research programs
– Transformation in crops is ongoing at Monsanto – pipeline size increased by 33%
– Two projects advanced to the next stage

We are on track to reach our mid-term targets of:
– A first product to emerge from the collaboration: launch of a drought-tolerant corn from 2012 onwards
– 6–10% yield increase per product generation

Monsanto collaboration: Joint pipeline

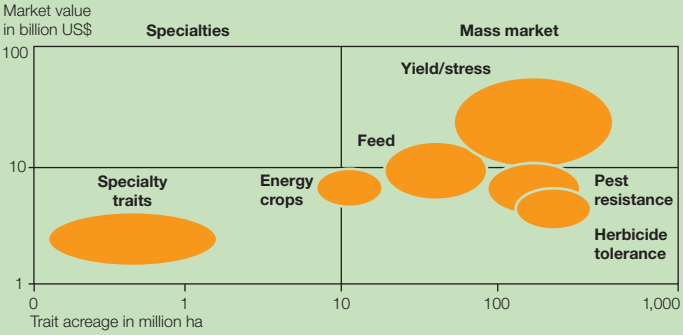
This illustrates in more detail the BASF-Monsanto joint pipeline derived from the BASF Plant Science pipeline on page 26 (orange).

	Discovery Identifying genes & POC[1]	**Stage I** Look for POC II[1]	**Stage II** Early product development	**Stage III**[2] Advanced product development	**Market value 2020 in US$**
Drought-tolerant corn family	Drought-tolerant corn 2nd generation drought-tolerant corn				300–500 million
Nitrogen-utilization corn family	Nitrogen-utilization corn				300–500 million
Broad-acre higher-yielding corn family	Higher-yielding corn				> 1 billion
Broad-acre higher-yielding soybean family	Higher-yielding soybean 2nd generation				300–500 million

[1] POC = 'Proof of Concept' in model crop/POC II: 'Proof of Concept' in target crop
[2] Corresponds to phase 3 and 4 in Monsanto's pipeline communication

Valuation metrics:
– Valuation reflects annual gross sales value of trait in 2020 (~ farm gate level)
– Gross sales are presented for initial country of launch only
– Acreage opportunities reflect Monsanto's 2007 market penetration through the current channels
– Projects are valued as families

Global market for biotechnological traits 2025



– Total projected market value for biotech traits in 2025 is estimated at US$50 billion (from around US$3 billion in 2007)
– Market is dominated by agronomic traits and commodities
– Yield/stress is the major market

Highlights of BASF's strategy in Asia

By 2010 in Asia, we want to:

– Contribute 20% of the BASF Group's global sales and earnings in its chemical businesses, of which half in China

– Build a local manufacturing base to secure >70% of domestic sales

– Strengthen our position as one of the top five suppliers in our strategically relevant markets

– Form the best team in the industry

BASF in Asia

The chemical market in Asia Pacific is the world's largest and fastest-growing chemical market. A long-term strategy allows BASF to position itself as a leading chemical manufacturer in this key region.

We achieved our leading position in Asia Pacific with our current strengths

Asia-specific strengths
- Successful business relations in Asia for more than 100 years
- State-of-the-art production hubs in main Asian markets
- Excellent local team
- Strong and reliable partners

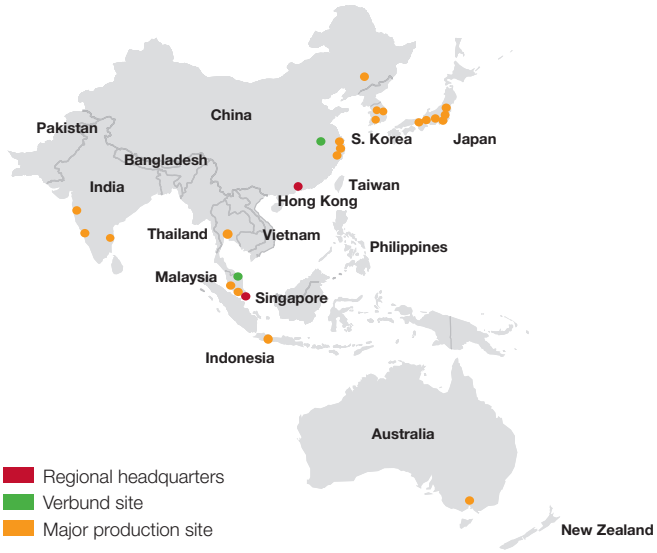
Global strengths
- Long-term strategic orientation
- Global product portfolio
- Global innovation platform
- Supply chain network
- High global EHS and corporate governance standards

Ready to compete successfully in Asia

Challenges
- Increasing competition/overcapacities, especially in bulk chemicals
- Retaining the best talents

BASF strategy
- Offer broad portfolio adapted to local marketplace
- Continuously optimize production platform
- Continue active portfolio management
- Extend R&D network in Asia
- Build close relationships with our Asian partners
- Ensure sustainable enterprise development

Powerful production network in Asia



BASF has been active in Asia Pacific for more than 100 years and is now one of the largest foreign investors in the region, with around 80 companies, around 100 production sites and 16 research and development sites in 15 countries.

- 62 wholly-owned subsidiaries
- 106 production sites
- 179 plants
- 10.5 million tons installed capacity
- ~60% local production
- Investments in Asia:
  2003–2007: €2.8 billion
  2008–2012: €2.5 billion

BASF holds a strong position in Asia

Market share[1] by sales in 2007

		%
	Top 10 competitors[2]	14
	BASF	9
	Others	77

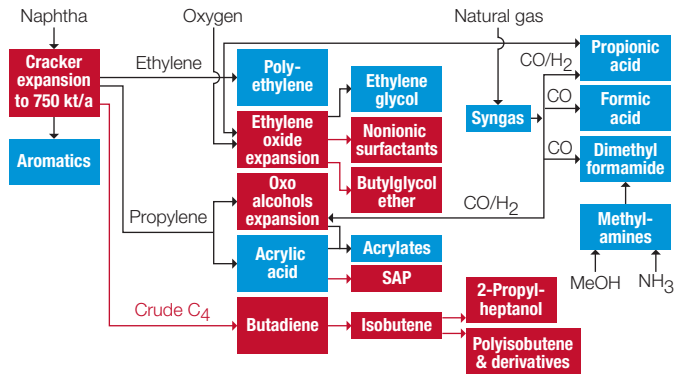
[1] Market share in terms of BASF's strategically relevant markets in Asia
[2] Bayer, Dow, Mitsubishi, DuPont, Formosa, LG, Syngenta, Sinopec, Mitsui, Kansai Paint

Verbund site Nanjing, China

Nanjing is the heart of our Chinese Verbund network

– 50/50 joint venture with Sinopec
– Total investment: US$2.9 billion
– Capacity: approx. 2.0 million metric tons of sales products/year
– 600,000 metric ton steam cracker and 9 downstream plants
– Commercial start-up: June 2005
– Approx. 1,500 employees

Extension of value chains in Nanjing



Planned extension
Existing state-of-the-art Verbund site in Nanjing

Verbund site Nanjing: Current capacities

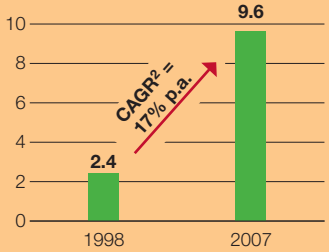
	metric tons/year
Ethylene; propylene	600,000; 300,000
Aromatics	300,000
LDPE (low-density polyethylene)	400,000
EO/EG (ethylene oxide/ethylene glycol)	300,000
AA (acrylic acid)	160,000
AE (acrylic esters)	215,000
OXO (oxo alcohols)	250,000
Formic acid	50,000
Propionic acid	30,000
Methylamine	36,000
DMF (dimethyl formamide)	40,000
Syngas (synthesis gas)	25,200 Nm^3/h OXO 21,500 Nm^3/h H_2 5,100 Nm^3/h CO
Power plant	180 MW

Planned expansion of Nanjing

– Feasibility study submitted
– Project volume US$900 million, approval expected 2008
– Expansion of value chains marked in red in the flow chart
– First plants going onstream as of end 2009

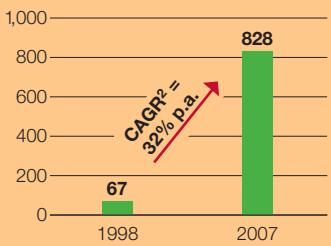
BASF sales in Asia[1]

Billion €



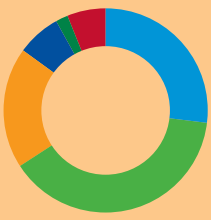
BASF EBIT in Asia

Million €



[1] Based on sales by location of customer [2] Compounded annual growth rate

Sales* by segment 2007 in Asia Pacific



	%
Chemicals	27
Plastics	39
Performance Products	19
Agricultural Products & Nutrition	7
Oil & Gas	2
Other	6

*Based on sales by location of customer

Kuantan, BASF's Verbund site in Malaysia

– 60/40 joint venture with Petronas
– Capacity: approx. 1 million metric tons of sales products/year
– 12 world-scale production plants (acrylic monomers, oxo alcohol products, butanediol and plasticizers)
– Commercial start-up 2001
– Approx. 650 employees
– PBT plant jointly launched with Toray in April 2006

Kuantan, Malaysia

Actively managing site capacities (since 2006)

Even in a growth region such as Asia Pacific, we continuously optimize our production platform by closure of existing capacities and start-up of new capacities. Drivers for this change are the anticipation of market developments, operational excellence and economies of scale.

Start-up of new capacities

- Verbund site Nanjing, China
- MDI/TDI, China
- THF/PolyTHF, China
- Basonat production plant, China
- Engineering plastics, Malaysia, China
- Construction systems, China
- Admixture systems, India, China
- TPU production and PU System House, China
- Electronic materials, China
- PU System House, India, Australia

Closure of existing capacities

- THF/PolyTHF, Japan
- Lead carbonate plant, Korea
- Polymer dispersions, Philippines
- THF, China (temp.)
- Agrochemicals, India
- Lysine plant, Korea
- Process chemicals, Japan

Active portfolio management in Asia Pacific

Selected transactions in Asia Pacific 2003–2007

Acquisitions

- **Fine Chemicals** (Takeda Vitamins)
- **Coatings** (BASF Akzo Nobel/ Wattyl, NOF)
- **Engineering Plastics** (Honeywell Swap)
- **Electr. Chemicals** (Merck Electronic Chemicals)
- **Catalysts/Pigments** (Engelhard Corp., Guilin REEcat)
- **Construction Chem.** (Degussa Construction Chemicals, HiCon)
- **Water-based resins** (Johnson Polymer)

> €1 billion (sales)

BASF core businesses

Partnerships

- Sinopec
- Petronas
- Shell
- Toray

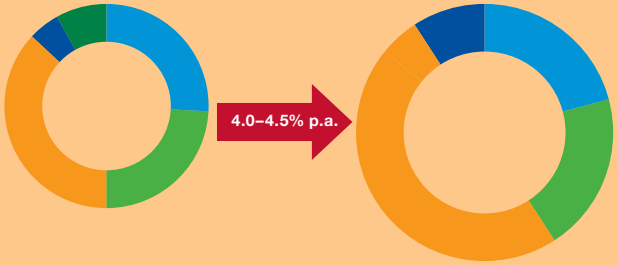
Divestitures

- **Basell** (PE, PP)
- **Engineer. Plastics** (Compounding plant, Australia)
- **Crop Protection** (Chungli facility, Taiwan)
- **Masterbatches** (Part of BASF Indonesia)
- **Fibers** (BASF Hua Yuan Nylon, China)
- **Printing Inks** (Part of BACC, China)
- **Feed premix sites** (China, Indonesia, Japan, Malaysia, Taiwan, Thailand)
- **Kaolin site** (Shanxi, China)

> €50 million* (sales)

*Excluding non-consolidated sales from Basell

Asia –The world's largest chemical market*



2006: $1,900 billion

2020: $3,000 billion

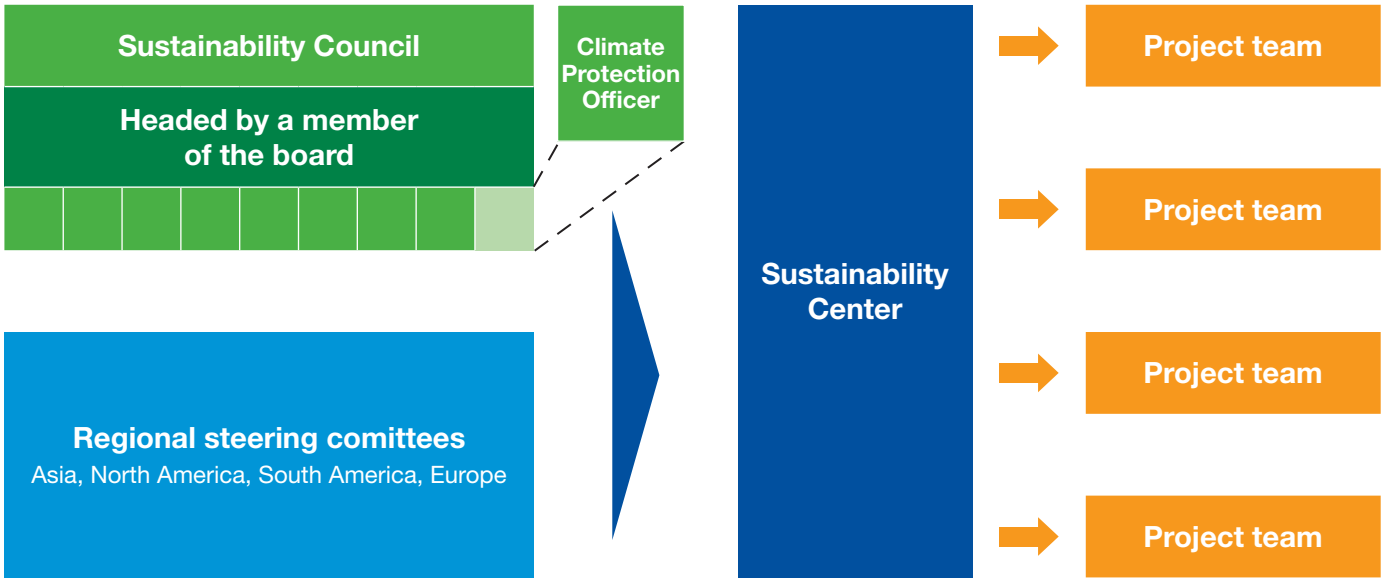
%	2006	2020
Europe	26	21
North America	24	20
Asia Pacific	37	45
South America	5	5
Rest of World	8	9

*Chemical demand (excluding pharma), real figures (base 2006)

Sustainability

As a globally operating company, we are aware of our social responsibility, which is why we take an active role in shaping sustainable development in our sphere of influence. For BASF, sustainability means integrating social and environmental issues into our business processes. This is how we contribute to the quality of life for current and future generations.

For BASF, sustainable development means combining business success, environmental protection and social responsibility. The sustainability strategy is part of BASF's four strategic guidelines.



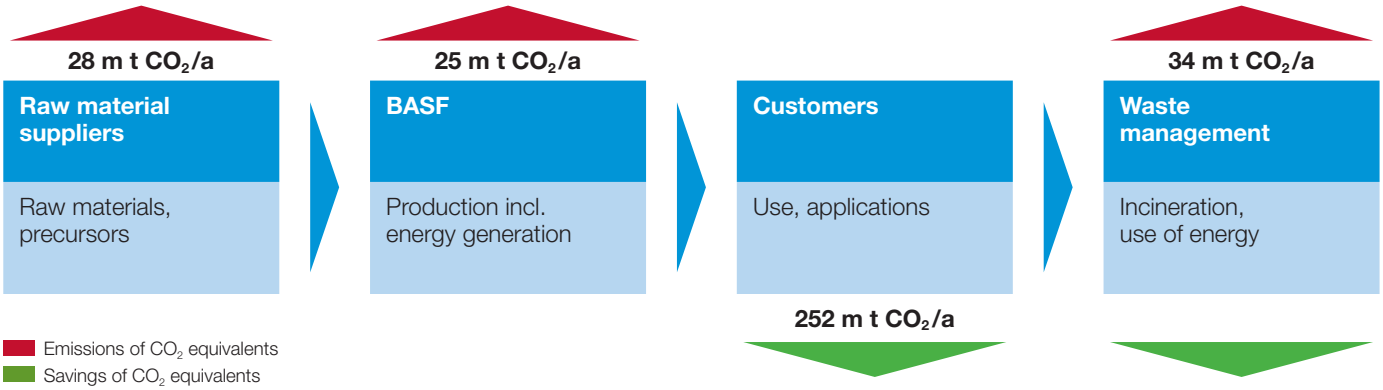
The **Sustainability Council** ensures that BASF Group policy is in accordance with the principle of sustainability and develops the sustainability strategy.
Regional steering committees manage global implementation of the sustainability strategy.
Project teams made up of experts from operating units draw up concrete measures.
The **Sustainability Center** coordinates internal projects and the stakeholder dialogue.
The **Climate Protection Officer** coordinates BASF's activities for climate protection.

Strategy BASF 2015: "Ensure sustainable development"

Sustainable development influences our business activities at different levels: it minimizes our risks and helps to create value. To recognize new challenges at an early stage and respond to them, we systematically pursue sustainability issues (e.g. climate protection, demographic change) that are relevant for us.

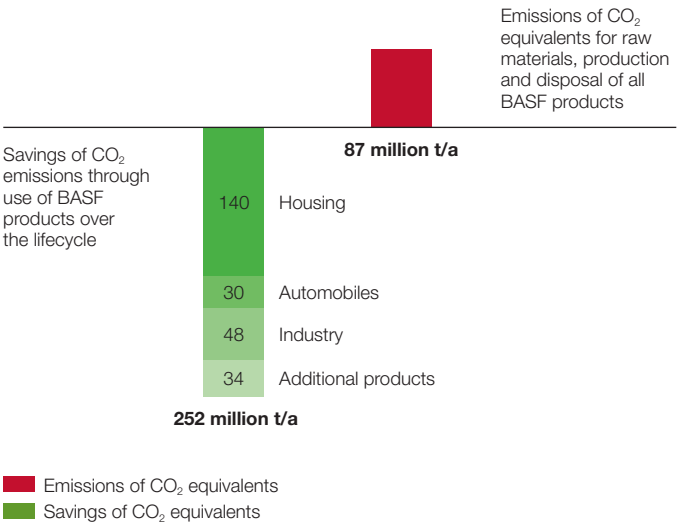
BASF's carbon balance: Our products help to protect the climate

BASF presents a comprehensive carbon balance for its operations.



BASF's greenhouse gas emission calculations for the year 2006 are based on the entire lifecycle of our products. Our carbon balance not only includes all the emissions from BASF's production, but also takes into account emissions from raw materials and precursor products, including their manufacture and the disposal of all chemical products at the end of their life.

CO_2 savings from BASF products outweigh emissions caused during production and disposal by a factor of 3:1



The products sold by BASF in 2006 enable savings of 252 million metric tons of CO_2 emissions globally.

Adding up all the emissions from raw materials and upstream products involved in our own production processes and disposal of all products results in a total volume of about 87 million metric tons of CO_2 equivalents.

In the long term, BASF aims to maintain or even improve this factor by introducing new products and innovations and by continuously reducing our own emissions. To increase this factor, BASF develops innovative technologies and materials for sustainable climate protection. More than one-third of BASF's entire research spending – about €400 million annually – goes into energy efficiency, climate protection, saving resources, and renewable resources.

Climate protection is an integral part of BASF's sustainability strategy

1. We set ourselves ambitious climate protection goals.
2. We are the first company to present a comprehensive carbon balance.
3. We have appointed a Climate Protection Officer to coordinate our climate protection activities around the world.

Our goals

Environment, safety and product stewardship

		Goal	Status at year-end 2007
Energy and climate protection (baseline 2002)	2020 goals		
Emissions of greenhouse gases per metric ton of sales product	–25%		–16.6%
Improvement of specific energy efficiency of production processes	+25%		New goal
Stop the flaring of associated gas that is released during crude oil production by Wintershall (2012 goal)			New goal
Reduction in emissions from chemical operations (baseline 2002)			
Emissions of air pollutants*	–70%		–40.8%
Emissions to water of			
Organic substances*	–80%		–65.9%
Nitrogen*	–80%		–76.3%
Heavy metals*	–60%		–44.3%
Distribution safety (baseline 2003)			
Reduction in transportation accidents	–70%		–50.0%
Product stewardship			
Review of all products that are sold worldwide by BASF in quantities of more than 1 metric ton per year, based on a risk assessment	> 99%	The introduction of our "Reach Tracking System" database in 2007 is an important precondition of meeting our goal.	

* Assuming comparable product portfolio

Employees and society

		Goal	Status at year-end 2007
Occupational safety (baseline 2002)	2020 goals		
Reduction in lost time injuries per million working hours	–80%		–33%
Health protection (baseline 2004)			
Reduction in cases of occupational diseases	–80%		–45%

Senior executives	**Long-term goals**	
International proportion of senior executives	Increase the proportion of non-German senior executives (baseline 2003: 30%)	29.3%
Women in senior executive positions	Increase the proportion of female senior executives (baseline 2003: 5.2%)	5.6%
Senior executives with international experience	Increase the proportion of senior executives with international experience to over 70%	73%
Leadership feedback	2008 goal	
Mandatory leadership feedback for senior executives worldwide	80% of senior executives have taken part in the standardized leadership feedback process	47.8%
Employee survey	2009 goal	
Global employee survey	Implement a global employee survey for the BASF Group	Preparation of global employee survey started

Energy efficiency to be increased by 25% by 2020 compared with 2002

Specific greenhouse gas emissions to be reduced by 25% by 2020 compared with 2002

Business Segments

Our business portfolio is well balanced and offers strong growth opportunities.
It consists of six segments with 13 operating divisions.


BASF

Chemicals

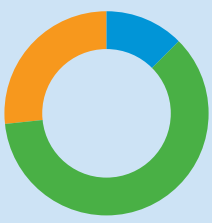
Our organic and inorganic basic chemicals are used to supply raw materials to our value-adding chains and marketed to our external customers. Cost leadership is achieved thanks to integrated production facilities, modern large-scale plants and our Research Verbund. We enhance our portfolio of higher-value products and system solutions through innovations and acquisitions.

Segment data[1]

Million €	2006	Q1	Q2	Q3	Q4	2007
Sales to third parties	9,161	2,290	2,434	2,348	2,286	9,358
Share of total BASF sales (%)	17.4	15.7	16.6	16.8	15.6	16.1
Thereof Inorganics	1,134	292	301	294	305	1,192
Petrochemicals	5,754	1,385	1,524	1,430	1,357	5,696
Intermediates	2,273	613	609	624	624	2,470
Income from operations before depreciation and amortization (EBITDA)	2,064	686	693	595	442	2,416
EBITDA margin (%)	22.5	30.0	28.5	25.3	19.3	25.8
Income from operations (EBIT) before special items	1,588	566	573	446	304	1,888
EBIT before special items margin (%)	17.3	24.7	23.5	19.0	13.3	20.2
Income from operations (EBIT)	1,337	566	573	475	289	1,903
EBIT margin (%)	14.6	24.7	23.5	20.2	12.6	20.3

[1] As of January 1, 2008, the Catalysts division is part of the new Functional Solutions segment.

Segment sales in 2007



	Million €
Inorganics	1,192
Petrochemicals	5,696
Intermediates	2,470

Split of Chemicals sales

	%
Specialties	25
Commodities	75

Inorganics

Highly profitable business mix of commodities and specialties

BASF's Inorganics division manufactures a broad range of chemical products of which approximately 50% are used captively. The products sold to external customers are used worldwide in many different industries. The Inorganics division is successful in managing a complex portfolio consisting of commodities (mainly for captive use in BASF's Verbund) and specialties (typically unique products with strong market expertise, significant growth potential and high market shares).

Main products

Inorganic specialties
BASF offers a wide range of inorganic specialties which includes carbonyl iron powder, hydroxylamine free base, hydroxylammonium sulfate, boron specialties and BASF's innovative Catamold® line of products for powder injection molding of metal and ceramic components. The Catamold® line is especially suited for manufacturing tiny, intricate devices such as watch casings and orthodontic appliances. BASF sells these products globally to manufacturers in the automotive, construction and medical sectors, among other industries.

Electronic materials
BASF produces inorganic specialties in electronic grade, such as hydroxylamine free base for use in manufacturing semiconductors, light-emitting diodes, and flat and plasma screen displays.

Inorganic chemicals
BASF produces inorganic chemicals, which are the starting materials for fertilizers, plastics, amines and other high-value chemicals. The products range from basic chemicals such as chlorine, sodium hydroxide, nitric acid and sulfuric acid to inorganic salts such as sodium and potassium alcoholates to ammonium salts. More than half of these products are for captive use within BASF's Verbund. The remaining products are sold primarily to other chemical companies.

Glues and impregnating resins
BASF offers a wide variety of tailor-made adhesives for the wood products industry. These adhesives are used to bind together the particles, fibers and strands found in all types of particleboards. In addition, BASF produces impregnating resins, which are used to manufacture decorative paper and laminated flooring. BASF is also a producer of glues and impregnating resin raw materials such as ammonia, formaldehyde, methanol, urea and melamine. Europe is the primary market for this group of products.

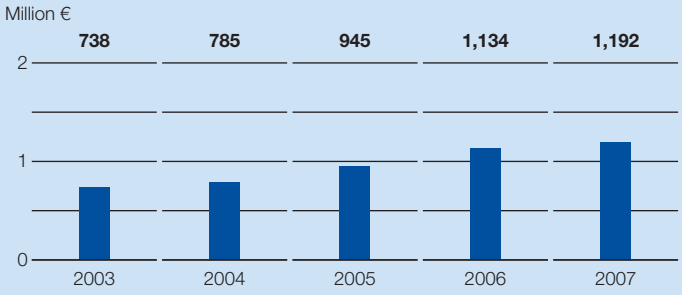
BASF market position

Electronic materials: leading market positions in Asia and Europe | Inorganic specialties: leading market positions in Europe and North America | Inorganic chemicals #1 in inorganic salts in Europe | Glues and impregnating resins #1 in glues in Europe, among top three in impregnating resins and melamine in Europe

Main competitors

Arkema, Degussa, DSM, Gentek, Nordkemi, Yara

Sales to third parties



Sales by major industries 2007

	%
Computer and electronics	27
Chemicals	17
Construction	13
Plastics and rubber	8
Others	35

Key drivers of profitability

Margins in major commodity products (e.g. ammonia and caustic soda)

Cost leadership and competitiveness along the various inorganic value chains

Growth and innovation with specialties in customer industries (e.g. electronics and inorganic specialties)

Key capabilities of BASF

Cost leadership in commodities through world-scale plants and Verbund integration

Strong technology platform for developing new specialties and finding new applications for established specialties

Building partnerships with innovative customers

Most interesting, fastest growing markets

Electronics industry in Asia | Solar cell industry | Pharmaceutical industry globally | Biodiesel industry in Europe | NOx removal market in Europe (AdBlue®)

Estimated market growth (2008–2013): Electronic materials global +8% | Inorganic specialties global +8% | Inorganic chemicals Europe +2% and glues and impregnating resins Europe +2%

BASF levers to outperform these markets

Strong technology position for new specialties and new applications for established specialties | Partnerships with innovative customers | Cost leadership in commodities through world-scale plants and Verbund integration

Focus of R&D

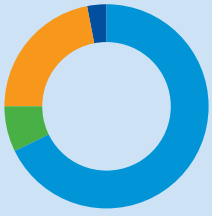
Electronic materials, inorganic specialties as well as glues and resins are the main focus of innovation in Inorganics. Inorganic specialties focus on new product development. Electronic materials focus on new product development for future technology nodes of the electronics industry. Glues and resins focus on new products and engage in process-improving innovation projects.

Acquisitions/JVs/Investments (2005–2007)

Product group	Description	Year
Electronic materials	Acquisition of the electronic materials business from Merck KGaA (Germany)	2005
Electronic materials	Start-up clean room laboratory in Ludwigshafen, Germany, for process chemicals for the semiconductor industry	2006
Catalysts	Acquisition of Engelhard Corp. and transfer of catalyst business from Inorganics division to newly established Catalysts division	2006
Electronic materials	Start-up of the Electronic Materials Center Europe in Ludwigshafen, Germany	2007

Major annual capacities of BASF

Ammonia	Ludwigshafen, Germany	875 kt
Ammonia	Antwerp, Belgium	650 kt
Caustic soda	Ludwigshafen, Germany	360 kt
Chlorine	Ludwigshafen, Germany	385 kt
Formaldehyde condensation products	Ludwigshafen, Germany	750 kt
Methanol	Ludwigshafen, Germany	450 kt
Sulfuric acid	Ludwigshafen, Germany	500 kt
Sulfuric acid	Antwerp, Belgium	220 kt
Urea	Ludwigshafen, Germany	545 kt



Sales by region 2007
(location of customer)

	%
Europe	68
North America	7
Asia Pacific	22
South America, Africa, Middle East	3

Innovation examples

1. Carbonyl Iron Powder: Used in magnetorheological fluids (MRF) for shock absorption (4WD-clutch, adaptive bridge dampers).

2. CMP Slurries: Chemical-mechanical planarization of copper layers, based on cleaning issues for the semiconductor industry.

3. Advanced Kaurit® brands: Meet major challenges of the woodworking industry in terms of reduced formaldehyde emissions, or add value for end consumers in terms of reduced electrostatic charge and improved scratch resistance.

Petrochemicals

Petrochemicals are the heart of our unique Verbund concept

The Petrochemicals division is the profitable cornerstone of BASF's petrochemical-based value chains throughout the regions. The division manufactures and markets a broad portfolio of cracker products, industrial gases, alkylene oxides, glycols, solvents and plasticizers. Major importance is attached to providing highly competitive, intelligent solutions for the raw material requirements of external and internal customers.

Main products

Cracker products

BASF produces the entire range of cracker products from ethylene and propylene to benzene and C4 cuts predominantly for captive use. Of these, propylene is the most important starting product for BASF's value-adding chains. Benzene is used captively, while the residues from benzene extraction are sold as gasoline components. Butadiene is used captively to produce dispersions and ABS (acrylonitrile-butadiene-styrene) and is also sold in the merchant market.

Alkylene oxides and glycols

Ethylene oxide derived from ethylene is used mainly to produce surfactants, ethanolamines, glycols and glycol ethers. Ethylene glycol is a product used in antifreeze by the automotive industry and for the production of fibers, films and PET (polyethylene terephthalate) plastic bottles by polyester manufacturers. Propylene oxide is synthesized from propylene and serves as a base for a wide variety of products, including hydraulic fluids, solvents and propylene glycol.

Solvents

BASF offers a wide range of oxygenated, halogen-free solvents that are used to dissolve other chemicals and facilitate chemical reactions. BASF is the world's largest producer of oxo alcohols and is also a major producer of acetates, glycol ethers, glycol ether acetates and specialty solvents such as cyclohexanone. Customers are primarily in the coatings, pharmaceuticals and cosmetics industries.

Plasticizers and plasticizer raw materials

BASF manufactures standard and specialty plasticizers, which are used in chemical processes to make rigid plastics flexible. BASF also sells the plasticizer precursor phthalic anhydride for use in dyestuffs and unsaturated polyester resins, and markets plasticizers based on higher alcohols. Our newest specialty product is the plasticizer Hexamoll® DINCH, used for sensitive applications.

BASF market position

Oxo C4 alcohols #1 | Plasticizers #2 | Plasticizer alcohols # 2 | Ethylene oxide and ethylene glycols #2 in Europe

Main competitors

Cracker products: Dow, ExxonMobil Chemical, Sabic, Shell Chemicals | *Solvents:* Dow, Eastman, Oxea, Quilu | *Plasticizers:* ExxonMobil Chemical, Eastman, Evonik, UPC, Aekyung | *Plasticizer alcohols* ExxonMobil Chemical, Evonik, Kyowa, Nanya, Quilu | *Alkylene oxides and glycols:* Dow, Sabic, Shell Chemicals, Ineos

Most interesting, fastest growing markets

Plasticizers and solvents in Asia, especially China | Glycols in Asia

Estimated market growth (2008–2013): Solvents +3% | Plasticizers +3% | Plasticizer alcohols +4% | Alkylene oxides and glycols +5% | Cracker products +4–5%

BASF levers to outperform these markets

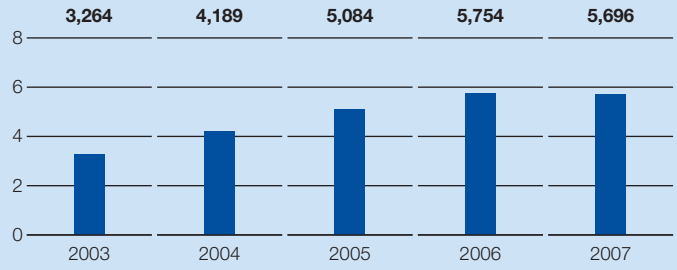
Plasticizers: Innovative products, e.g. Hexamoll® DINCH; portfolio with toxicologically advantageous products | *Solvents:* New competitive products (2-PH) and optimized production structure | *General:* Leading technology position, backward integration

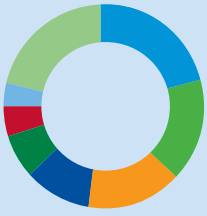
Focus of R&D

The focus of R&D activities is on developing new and improved processes by adapting and optimizing feedstocks to supply our Verbund value chains at competitive costs. Product innovation is primarily focused on new applications for plasticizers within and outside PVC.

Sales to third parties

Million €





Sales by major industries 2007

	%
Chemical manufacturing	21
Petroleum and coal	16
Plastics and rubber	15
Construction	11
Motor vehicles and parts	7
Food and beverage	5
Agriculture	4
Others	21

Key drivers of profitability

Cost leadership

Economies of scale

Leading process technologies

Efficient production process

High capacity utilization

Key capabilities of BASF

World-scale production facilities

Production close to customers in growth regions

Cost benefits from backward integration (Verbund) and leading technology position

Low exposure to merchant market in cracker products

Acquisitions/JVs/Investments (2005–2007)

Product group	Description	Year
Ethylene, propylene, aromatics, ethylene oxides and glycols, oxo alcohols	Start-up of production in Nanjing, China	2005
2-Ethylhexanol	Capacity expansion Freeport, Texas	2005
Cyclohexane	New plant in Mannheim, Germany	2006
2-Propylheptanol	Conversion of 2-EH Pasadena, Texas	2006
Ethylene, propylene, benzene	Steamcracker expansion in Antwerp, Belgium	2007
Plasticizers	New plant in Pasadena, Texas	2007
Hexamoll® DINCH	Capacity expansion in Ludwigshafen, Germany	2007

Investments (from 2008 onwards)

Product group	Description	Year
Propylene	Propylene pipeline Ludwigshafen – Karlsruhe, Germany	2008
Ethylene	Member of Joint Venture EPS (Ethylene pipeline Southern Germany)	2008
Ethylene, propylene, butadiene, purified ethylene oxide, oxo C4, glycol ether, 2-Propylheptanol	2nd phase in Nanjing, China	2009
2-Propylheptanol/INA	Capacity expansion in Ludwigshafen, Germany	2009

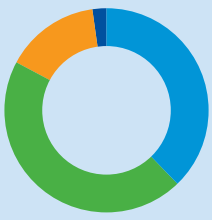
Divestitures/Shutdowns (2005–2007)

Product group	Description	Year
Ethylene	Divestiture of stake in ethylene cracker in Geismar, Louisiana	2007

Major annual capacities of BASF

Ethylene	Antwerp, Belgium	1,080 kt
	Port Arthur, Texas[1]	935 kt
	Ludwigshafen, Germany	620 kt
	Nanjing, China[2]	600 kt
Propylene	Port Arthur, Texas[1]	830 kt
	Antwerp, Belgium	650 kt
	Ludwigshafen, Germany	350 kt
	Tarragona, Spain	350 kt
	Nanjing, China[2]	300 kt
Butadiene	Port Arthur, Texas[3]	410 kt
	Ludwigshafen, Germany	105 kt
Benzene	Ludwigshafen, Germany	300 kt
	Antwerp, Belgium	280 kt
	Nanjing, China[2]	130 kt
	Port Arthur, Texas[3]	110 kt
Cyclohexane	Ludwigshafen, Germany	135 kt
Ethylene oxide (equivalents)	Antwerp, Belgium	420 kt
	Ludwigshafen, Germany	285 kt
	Nanjing, China[2]	250 kt
	Geismar, Louisiana	220 kt
Oxo C4 alcohols	Ludwigshafen, Germany	560 kt
	Freeport, Texas	300 kt
	Kuantan, Malaysia[1]	250 kt
	Nanjing, China[2]	250 kt
Plasticizers (incl. Hexamoll® DINCH)	Ludwigshafen, Germany	360 kt
	Pasadena, Texas	125 kt
	Kuantan, Malaysia[1]	100 kt
	Cornwall, Canada	35 kt

[1] BASF 60% [2] BASF 50% [3] BASF 24%



Sales by region 2007
(location of customer)

	%
Europe	38
North America	45
Asia Pacific	15
South America, Africa, Middle East	2

Innovation examples

1. Process innovation – New production process for plasticizers: Higher capacities, reduced alcohol loss, reduced waste water.

2. Product/process innovation – DPHP Plasticizer: High-value application properties and cost-effective raw material source.

Intermediates

After restructuring, highly profitable with strong innovation pipeline

The Intermediates division manufactures approximately 600 products which are sold worldwide. They are generally quite resilient to economic cycles and are often the result of multi-step production processes within BASF. Customers typically purchase them as precursors for their downstream chemicals. Besides external sales, the division sells its products within BASF, with internal transfers accounting for 25% of the division's total sales.

Main products

Amines

BASF is among the world's top three producers of amines, which are principally used to make detergents and cleaning products, process chemicals, agricultural products and pharmaceuticals. BASF offers approximately 140 different amines worldwide. Key products include ethanolamines, ethyleneamines, alkylamines, alkylalkanolamines and various specialty and aromatic amines. Several chiral intermediates are of increasing importance for pharmaceuticals and agricultural products. We offer systems of amines and epoxy resins for the manufacture of composite materials, especially in the windmill industry. As gas treatment technology we offer aMDEA®, short for activated methyldiethanolamine, for the removal of acid gases like hydrogen sulphide and carbon dioxide.

Butanediol and its derivatives

BASF is the world's largest manufacturer of 1,4-butanediol, which is a chemical building block for products such as polyesters and polyurethanes. Its derivatives are used to manufacture products ranging from fibers to paints and include tetrahydrofurane, PolyTHF®, gamma-butyrolactone and N-methylpyrrolidone.

Polyalcohols and specialties

Being the leading manufacturer of 1,6-hexanediol (HDO®) and neopentylglycol (Neol®) worldwide, we offer these products as well as further polyalcohols mainly for the production of a wide range of coatings. In addition, BASF offers specialties like carbonates and various special acetylenics, such as vinylmonomers and higher alkylpyrrolidones.

Acids and specialty intermediates

This product group comprises both commodity acid products and specialty intermediate products. Carbon acids such as formic acid, propionic acid and 2-ethylhexanoic acid can be used to manufacture preservatives for the feed and food industries as well as auxiliaries for textile and leather applications. Specialty intermediates, such as derivatives of phosgene including acid chlorides and chloroformates, glyoxal and its derivatives, glutaraldehyde and various other chemicals, such as formamide and triphenylphosphine, are often used in the manufacture of paper, polymers, pharmaceuticals and agricultural products.

BASF market position

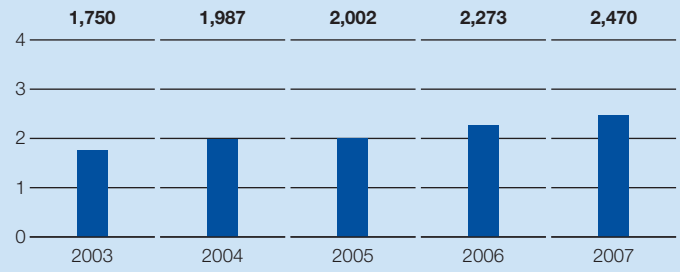
BASF is among the top three producers worldwide of the main products of its four strategic intermediates business units (see above).

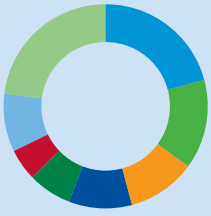
Main competitors

Amines: Taminco, Dow, Huntsman | *Butanediol and derivatives:* ISP, Invista, Lyondell, Dairen, Mitsubishi, new entrants, esp. Chinese | *Polyalcohols and specialties:* Eastman, Perstorp, Ube | *Acids and specialty intermediates:* Kemira, Perstorp, Eastman

Sales to third parties

Million €





Sales by major industries 2007

	%
Chemicals	21
Transportation incl. automotive	14
Plastics and rubber	11
Agriculture	10
Apparel, leather and allied products	7
Pharmaceuticals	5
Construction	9
Others	23

Key drivers of profitability

Achieving technological and cost leadership

Offering customized innovative products and system solutions

Global production presence

Key capabilities of BASF

Global set-up

Leading market positions

Technology leadership

Economies of scale, cost leader at Verbund sites

Highly qualified and experienced personnel with strong market knowledge and technical capabilities to provide superior solutions to our customers

Most interesting, fastest growing markets

Spandex in Asia | Oilfield chemicals | Specialty coatings/resins | Epoxy

Estimated market growth (2008–2013): Amines +4% | Butanediol and derivatives +5% | Polyalcohols and specialties +4% | Acids and specialty intermediates +3%

Focus of R&D

Innovation in Intermediates is key for all product groups to grow businesses and improve profitability. Whereas for butanediol and derivatives the focus lies on process improvements, amines, polyalcohols, acids and specialties develop many new products using value chain integration, our broad technological strength and close customer partnerships.

Acquisitions/JVs/Investments (2005–2007)

Product group	Description	Year
PolyTHF®	New plant in Caojing, China	2005
Formic/Propionic acid, methylamines, DMF	New plant in Nanjing, China	2005
Alkylethanolamines	New plant in Geismar, Louisiana	2007

Investments (from 2008 onwards)

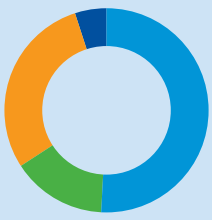
Product group	Description	Year
Cyclododecanone	New plant in Ludwigshafen, Germany	2009

Divestitures/Shutdowns (2005–2007)

Product group	Description	Year
THF, gamma-Butyrolactone, N-Methylpyrrolidone	Closure in Feluy, Belgium	2005
THF, PolyTHF®	Closure in Yokkaichi, Japan	2006

Major annual capacities of BASF

1,4-Butanediol equivalents	585 kt
1,6-Hexanediol (HDO®)	42 kt
Alkylamines	221 kt
Ethanolamines and derivatives	270 kt
Formic acid	255 kt
Neopentylglycol (Neol®)	165 kt
PolyTHF®	185 kt
Propionic acid	119 kt



Sales by region 2007
(location of customer)

	%
Europe	51
North America	15
Asia Pacific	29
South America, Africa, Middle East	5

Innovation examples

1. Carbon dioxide (CO_2) scrubbing: Together with RWE Power and the Linde Group we develop new processes for CO_2 capture from combustion gases in coal-fired power plants.

2. Ionic liquids for photovoltaic processes: G24 Innovations Limited (G24i), Wales, and BASF jointly initiated a program to develop ionic liquids to further improve performance and efficiency of G24i's solar cells using a proprietary dye-sensitized thin film technology.

3. CDon (cyclododecanone): BASF is building a production plant in Ludwigshafen, Germany, for CDon. The innovative process consists of three stages instead of five previously required.

4. Tekion: BASF and the U.S.-based company Tekion Inc. are collaborating on the development of replaceable formic acid cartridges for use in Tekion's micro fuel cell technology for mobile electronic devices.

Plastics

BASF is one of the world's leading suppliers of plastics – the energy-efficient material. In standard plastics, we have a portfolio of focused product lines and efficient marketing processes. In our business with specialties, we offer a wide range of high-value products, system solutions and services. In close collaboration with our customers, we are constantly extending this range and adding new applications.

Segment data*

Million €	2006	Q1	Q2	Q3	Q4	2007
Sales to third parties	9,461	2,466	2,541	2,497	2,472	9,976
Share of total BASF sales (%)	18.0	16.9	17.3	17.9	16.8	17.2
Thereof Performance Polymers*	4,612	1,242	1,257	1,169	1,142	4,810
Polyurethanes	4,849	1,224	1,284	1,328	1,330	5,166
Income from operations before depreciation and amortization (EBITDA)	1,597	416	444	402	393	1,655
EBITDA margin (%)	16.9	16.9	17.5	16.1	15.9	16.6
Income from operations (EBIT) before special items	1,196	314	340	299	308	1,261
EBIT before special items margin (%)	12.6	12.7	13.4	12.0	12.5	12.6
Income from operations (EBIT)	1,180	313	339	297	223	1,172
EBIT margin (%)	12.5	12.7	13.3	11.9	9.0	11.7

*As of January 1, 2008, the specialty plastics and foams business units have been transferred from Styrenics to the Performance Polymers division. These business units posted the following sales (in million €): Q1 2007: 457; Q2 2007: 479; Q3 2007: 441; Q4 2007: 409; FY 2007: 1,786; FY 2006: 1,680. The disposal group Styrenics is reported under 'Other'.

Segment sales in 2007

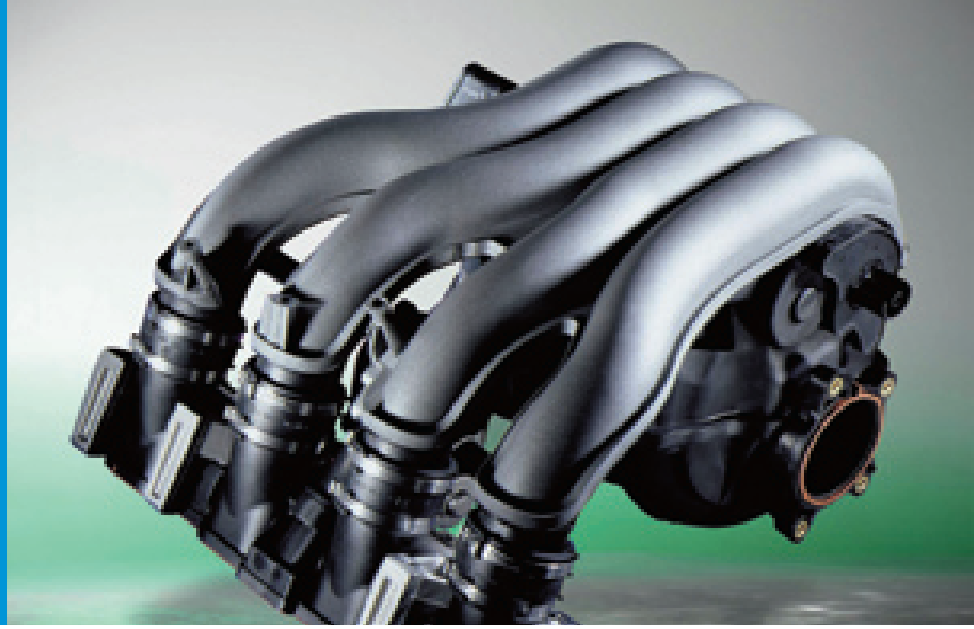
	Million €
Performance Polymers	4,810
Polyurethanes	5,166

Split of Plastics* sales

	%
Specialties	45
Commodities	55

*Excl. Styrenics commodity business

Performance Polymers



Leading supplier of engineering plastics, extrusion polymers and polyamide intermediates, specialty plastics and foams

BASF's Performance Polymers division is one of the world's leading suppliers of engineering plastics, extrusion polymers, specialty plastics and foams, as well as polyamide intermediates, which can be found in a broad spectrum of industries including automotive, electrical and electronics, packaging, textile and carpet fibers, building & construction and home and leisure.

Main products

PA (Polyamide) and intermediates
Ultramid®, Miramid® and Capron® are the trade names for BASF's engineering plastics based on polyamide 6, polyamide 6.6 and other copolymers. They offer toughness and strength as well as both heat and chemical resistance. Primary applications include automotive engine intake manifolds and flame-retardant plastics for electrical components.

Ultramid® is also the trade name for BASF's base resin of polyamide 6 and 6.6 sold in the fibers and extrusion market. Primary applications include carpets and textiles as well as films for food packaging. Intermediates include caprolactam for polyamide 6 and adipic acid.

PBT (Polybutylene Terephthalate)
Ultradur® is the trade name for BASF's engineering plastic based on PBT. It features high stiffness, strength, dimensional stability and heat and aging resistance. Primary applications include electrical connectors and automotive components.

POM (Polyoxymethylene)
Ultraform® is the trade name for BASF's POM plastic. It offers high stiffness and strength, resilience and low wear. Primary applications include clips and fasteners as well as mechanical and precision engineering devices.

Expandable Polystyrene (EPS)
Styropor® and its refinement Neopor® are insulating materials at the forefront of eco-efficient construction and offer advantages with regard to conservation of resources and cost efficiency.

Melamine resin foam
Basotect® is a flexible, open cell foam made from melamine resin. It is used for sound and thermal insulation in the building and transportation industry as well as a cleaning sponge in the consumer industry.

Biodegradable plastics
Under the brand name Ecoflex®, BASF offers biodegradable, aliphatically aromatic copolyesters. Ecoflex® is mainly used for the packaging industry (shopping bags, organic waste bags) and mulchfilms. Ecovio® L is the first biodegradable and biobased polyester of BASF (based on Ecoflex® and 45% polylactic acid).

Terblend N, Terlux, Luran®, Luran® S
These specialty styrenic copolymers find various applications in the automotive, building & construction and the healthcare & diagnostics industry.

BASF market position

Engineering plastics #2 | Extrusion # 1 | Expandable polystyrene # 1 | Foams among top 3 | Styrenic specialties # 1

Main competitors

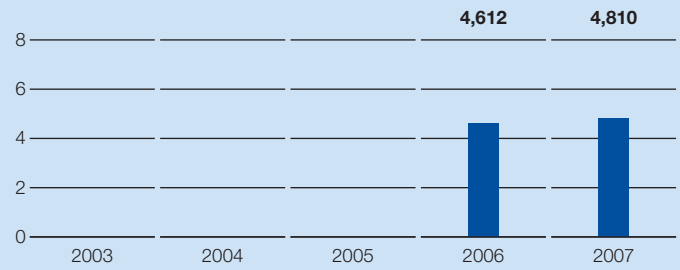
Engineering plastics: DuPont, Rhodia, Lanxess, Ticona, Sabic | *Caprolactam:* DSM, CPDC, Ube | *Ultramid® (spinning polymers):* LiPeng, Zig Shen, Honeywell | *Ultramid® (extrusion polymers):* Ube, DSM, Lanxess | *EPS:* Loyal, Xingda, Taita | *ASA/SAN:* Sabic, Ineos, ChiMei, LG, Toray

Most interesting, fastest growing markets

Engineering plastics in emerging Asian markets | Ultramid® and Ultradur® in automotive and E&E applications | Extrusion in food packaging | Energy-saving insulation material: Styropor® and Neopor® | Strong demand for Basotect® and biodegradable polymers like Ecoflex® and Ecovio®

Sales to third parties*

Million €



*Only 2006 and 2007 figures available due to reorganization of the division

Sales by major industries 2007

	%
Automotive	24
Construction	22
Textile, chemical, plastics & rubber manufacturing	19
Electrical and electronics	7
Others	28

Key drivers of profitability

Portfolio shift to higher value-added products

Global optimization along the entire value chain

Disciplined capital expenditure

Business model focused processes

Innovation

Key capabilities of BASF

Operational excellence (reliability, cost leadership)

Global integration of production and supply patterns

Innovation in products, applications, processes and business models

Technical, engineering and application competence

Close customer relationship and ability to serve key customers globally

Estimated market growth (2008–2013): Engineering plastics +5% | PA packaging, monofilament applications +4% | Ecoflex®, Ecovio®, Basotect® > 10% | Foams +5%

BASF levers to outperform these markets

Strong customer focus in R&D | Innovation in products, applications and process development as well as business models | Close customer relationships with ability to serve key customers globally | Globally best business for commodities | Unique value propositions for specialty plastics

Focus of R&D

Innovations focus on developing new applications for engineering plastics and specialty plastics in close cooperation with customers, developing engineering plastics, specialty plastics, packaging materials and foams with enhanced properties and securing competitiveness of our value chains.

Acquisitions/JVs/Investments (2005–2007)

Product group	Description	Year
PA compounds	Acquisition of Leuna Miramid	2005
PA, POM, and PBT compounds	Acquisition of LATI's engineering plastics activities in North America	2005
PBT	New PBT plant at Kuantan, Malaysia; 50:50 joint venture between BASF and Toray	2006
Compounds	New compounding plant in Altamira, Mexico	2006
Styrene copolymers	Acquisition of Lanxess business in Europe and South America and Repsol business in Europe	2006
Compounds	New compounding plant in Pudong/Shanghai, China	2007
Polyamide 6	New production line for PA 6 polymers in Freeport, Texas	2007
Ultrason®	Expansion of Ultrason® (PES/PSU) capacity in Ludwigshafen, Germany	2007
Ultradur®	Acquisition of Sabic Innovation Plastics' shares in the JV for PBT production in Schwarzheide	2007

Investments (from 2008 onwards)

Product group	Description	Year
Ultraform®	Expansion of Ultraform® (POM) capacity in Ludwigshafen, Germany	2008
Styropor®/Neopor® (EPS)	Additional production capacity	2008
Adipodinitril (ADN)	BASF and Invista enter into supply agreement for ADN	2009
Compounds	New compounding plant in Thane, India	2009
Biodegradable plastics	Additional production capacity	2010

Divestitures/Shutdowns (2005–2007)

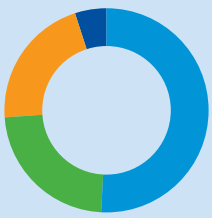
Product group	Description	Year
Polyamide 6	Shutdown of PA 6 production facilities in Enka, North Carolina	2007

Divestitures/Shutdowns (from 2008 onwards)

Product group	Description	Year
Adipodinitril (ADN)	Closure of adipodinitril plant in Seal Sands, UK	2008

Major annual capacities of BASF

Polyamide	720 kt
Compounding	460 kt
PBT	130 kt
POM	55 kt
Ultrason®	12 kt
Caprolactam	800 kt
Styropor®/Neopor®	800 kt
Terluran®, Luran®, Luran® S	760 kt
Ecoflex®	14 kt



Sales by region 2007
(location of customer)

	%
Europe	51
North America	23
Asia Pacific	21
South America, Africa, Middle East	5

Innovation examples

1. Ecoflex®: BASF's completely biodegradable and compostable plastic. It is ideal for trash bags or disposable packaging as it decomposes in compost within a few weeks or in soil without leaving any residues.

2. Basotect®: First fire-proof sofa made of flame-resistant melamine resin.

3. Ultramid® TOP for online coatable car body parts: It offers extremely high heat stability which is indispensable for body parts made of plastic. Thus a part made of Ultramid® TOP can be mounted very early onto the raw car.

4. Automotive Seat: BASF and Recaro used the design and functions of the sporty seat from the OPS model of Opel Corsa to create and build a seat prototype for which nearly all parts are produced using BASF materials.

Polyurethanes

World leader in isocyanates with a strong focus on specialties through system houses

BASF's Polyurethanes division is one of the world's three largest global producers of polyurethanes: important versatile specialty plastics used to produce a wide spectrum of rigid, flexible, foamed and compact components for consumer products.

Main products

MDI (Diphenylmethane Diisocyanate)
MDI is a versatile isocyanate that can be used to make flexible foams as well as semi-rigid and rigid polyurethane plastics. Primary applications include furniture interiors, automotive components and shoe soles.

TDI (Toluene Diisocyanate)
TDI is an isocyanate used primarily in the manufacture of flexible foams. Primary applications include foam cushions for furniture and automotive components.

PEOL (Polyether polyols)
Polyether polyols are combined with isocyanates to make virtually all polyurethane products, other than those made with polyester polyols. Primary applications include rigid and flexible foams.

Polyester polyols
Polyester polyols are combined with isocyanates to make primarily semi-rigid polyurethane plastics. Primary applications include cable sheathing and shoe soles.

Polyurethane systems
BASF's worldwide polyurethane systems group offers tailor-made polyurethane products for a wide variety of applications. BASF develops ready-to-use, tailor-made polyurethane systems for customers. Automotive OEM (original equipment manufacturer) suppliers comprise a significant customer group for polyurethane systems. OEM suppliers make seats, steering wheels, fenders and dashboards using BASF's polyurethane systems.

TPU (Thermoplastic Polyurethane Elastomers)
TPU is sold under the trade name Elastollan® and is based on both polyether polyols and polyester polyols. It is supplied in granular form to customers who use it primarily to make flexible plastic cable coverings. Customers for these products are primarily in the automotive and cable and wire industries.

Cellular elastomers
Cellular elastomers are sold under the names Cellasto®, Elastocell® and Emdicell® and are shock-absorbing, rigid plastics. Microcellular polyurethane parts for antivibration applications are sold, for example, as molded end-products for use as shock absorbers and buffers in the automotive industry.

BASF market position

MDI among top 2 | TDI among top 2 | PEOL among top 3 | PU Specialties # 1

Main competitors

MDI: Bayer Material Science, Huntsman Polyurethanes, Dow, Yantai | *TDI:* Bayer Material Science, Dow, Borsodchem, Mitsui | *PO/PEOL:* Dow, Bayer Material Science, Shell | *Specialties:* Bayer Material Science, Dow, Huntsman Polyurethanes, Lubrizol

Most interesting, fastest growing markets

PU globally | MDI globally | PU Asia | PU Eastern Europe

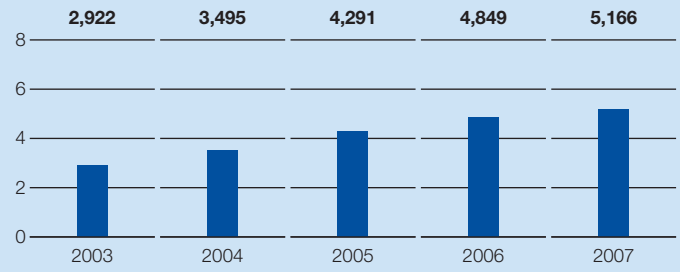
Estimated market growth (2008–2013): PU Europe +4–5% | PU Asia +6–7% | PU Americas +3–4% | PU Global +5–6%

BASF levers to outperform these markets

World-scale production plants in all major regions with debottlenecking potential | Innovative, cost-leading HPPO technology | Successful global system house concept | Strong innovation pipeline

Sales to third parties

Million €



Sales by major industries 2007

	%
Furniture	22
Automotive	16
Construction	21
Electrical and electronics	13
Footwear	6
Others	22

Key drivers of profitability

Supply and demand balance MDI, TDI, PO

Cost leadership along the entire value chain

Main raw materials benzene, toluene, propylene

Constant flow of innovative products and system solutions

Size and setup of specialty business

Key capabilities of BASF

Globally balanced strong market position with local production

Cost (integrated world-scale plants) and technology leadership (isocyanates and HPPO)

World leader in PU specialties (systems, TPU, Cellasto®)

Capacity to innovate und launch new products

Focus of R&D

Process innovation aims to optimize existing production processes and develop new, highly efficient processes offering considerable cost advantages. An example is the innovative HPPO process, for which we have started construction of a world-scale plant in Antwerp, Belgium, together with Dow. In polyurethane product and system development, we work closely with our customers to improve existing solutions and find new ones. Furthermore, we are developing new applications such as Elastocoast®, a PU-based solution to protect dams and dykes against storms.

Acquisitions/JVs/Investments (2005–2007)

Product group	Description	Year
Systems	Acquisition of Foam Enterprises, USA, PCC, The Netherlands and other smaller acquisitions and joint ventures	2005 to 2007
MDI	Expansion investment in Antwerp, Belgium	2005/ 2007
TDI/MDI	Joint venture investment in Caojing, China	2006

Investments (from 2008 onwards)

Product group	Description	Year
HPPO	Joint venture investment in Antwerp, Belgium	2008
PEOL	Expansion at Geismar, Louisiana	2008
Systems	System house in Malacky, Slovakia	2009
Systems	System house in Srem, Poland	2010
MDI	Investment in China under examination	>2010
TDI	Joint venture investment in Europe under examination	2011

Divestitures/Shutdowns (2005–2007)

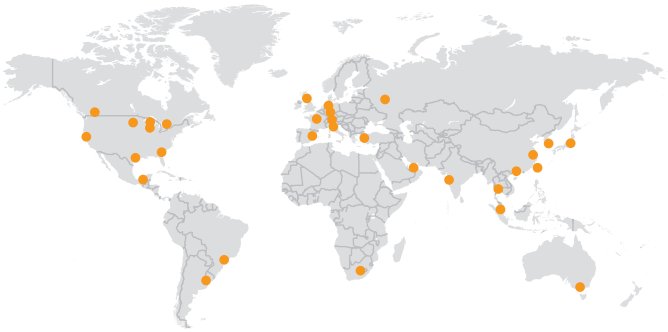
Product group	Description	Year
Systems	Closure of site in Olching, Germany	2005
Systems	Closure of site in Carrollton, Texas	2006

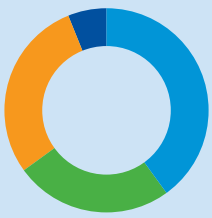
Major annual capacities of BASF

MDI	1,280 kt
TDI	560 kt
Polyols	700 kt
Propylene oxide	375 kt[1]

[1] Of which 205 kt are only for polyurethane applications

Global PU system houses





Sales by region 2007
(location of customer)

	%
Europe	40
North America	25
Asia Pacific	29
South America, Africa, Middle East	6

Innovation examples

1. SPS (Sandwich Plate System): Refurbishing the grandstand of the Ascot Racecourse with SPS terraces as a newly developed application.

2. HPPO: Innovative process to produce propylene oxide, smaller plant footprint, smaller specific investment, water as only by-product.

3. Lupranol Balance®: New polyol on the basis of a renewable raw material for matresses.

4. PU System: Innovative polyurethane composite solution to fully replace metal in a concrete mixing drum.

5. Elastollan®: Printable films with outstanding low-temperature flexibility for decorative protection on skis and snowboards.

Performance Products

Our innovative solutions contribute to the functionality and performance of industrial and consumer products produced by virtually all manufacturing industries all over the world. Our solutions also help our customers to run their processes more successfully. We are the preferred partner for developing new products, system solutions and applications in close cooperation with our customers. Our broad range of customer industries and our regional portfolio make us less sensitive to sectoral volatilities.

Segment data[1]

Million €	2006	Q1	Q2	Q3	Q4	2007
Sales to third parties	8,494	2,226	2,268	2,254	2,114	8,862
Share of total BASF sales (%)	16.1	15.2	15.5	16.1	14.4	15.3
Thereof Acrylics & Dispersions[2]	3,387	852	901	918	851	3,522
Care Chemicals[3]	3,093	795	769	749	716	3,029
Performance Chemicals	2,014	579	598	587	547	2,311
Income from operations before depreciation and amortization (EBITDA)	1,059	310	289	288	256	1,143
EBITDA margin (%)	12.5	13.9	12.7	12.8	12.1	12.9
Income from operations (EBIT) before special items	671	204	185	174	149	712
EBIT before special items margin (%)	7.9	9.2	8.2	7.7	7.0	8.0
Income from operations (EBIT)	431	194	180	170	137	681
EBIT margin (%)	5.1	8.7	7.9	7.5	6.5	7.7

[1] As of January 1, 2008, Construction Chemicals and Coatings are part of the new Functional Solutions segment.
[2] The Functional Polymers division has been renamed Acrylics & Dispersions.
[3] The Care Chemicals division comprises the former Fine Chemicals division as well as the Performance Chemicals division's detergents and formulators business. The detergents and formulators business posted the following sales (in million €): Q1 2007: 317; Q2 2007: 297; Q3 2007: 284; Q4 2007: 279; FY 2007: 1,177; FY 2006: 1,238.

Segment sales in 2007

	Million €
Acrylics & Dispersions	3,522
Care Chemicals	3,029
Performance Chemicals	2,311

Split of Performance Products sales

	%
Specialties	75
Commodities	25

Acrylics & Dispersions

Tailor-made functionality in customer products and processes with acrylics and polymer dispersions

BASF's Acrylics & Dispersions division is one of the world's largest producers of acrylic acid and its downstream products, mainly functional polymers such as superabsorbents and dispersions. These polymers offer tailor-made functionality in customer products and processes to help our customers achieve product differentiation. Production is largely integrated into the Verbund, giving the division an advantage over non-integrated players. Regional units operate close to customers.

Main products

Acrylic monomers

BASF is the world's largest producer of acrylic monomers, which are sold directly to internal and external customers in the form of acrylic acid, acrylic esters and special acrylates. Acrylic monomers are used as precursors to manufacture polymer dispersions for various applications, superabsorbents, detergents, flocculants and fibers for a wide range of industries.

Superabsorbents

BASF sells superabsorbents globally primarily to the personal hygiene industry, which uses these products to manufacture diapers and other sanitary care products. Superabsorbents are also marketed for industrial applications, such as packaging or agriculture.

Polymers

BASF's polymer products consist mainly of polymer dispersions for the production of adhesives, paints, non-woven materials and construction chemicals. BASF's strength lies in its technical expertise and application know-how.

Paper chemicals

BASF offers the paper industry a comprehensive range of chemical products for many aspects of the paper production process, including the manufacture of untreated paper and paper finishing. The product range of paper chemicals consists of paper-processing chemicals, paper dyes and polymer dispersions for coating.

Kaolin

Effective June 2006, the kaolin business became part of the Acrylics & Dispersions division through the acquisition of Engelhard Corp. Kaolin is extracted from mines and is primarily used as coating pigment in the paper industry.

BASF market position

Acrylic monomers global #1 | Superabsorbents global #2 | Polymers among top 3 players | Paper chemicals global # 3

Main competitors

Acrylic monomers: Rohm & Haas, Nippon Shokubai, Dow, Arkema, FPC | *Superabsorbents:* Degussa, Nippon Shokubai, SanDia | *Polymer dispersions:* Rohm & Haas, Celanese, Wacker, Dow | *Paper coating binders:* Dow | *Paper-processing chemicals:* Hercules, Ciba, Kemira, Nalco

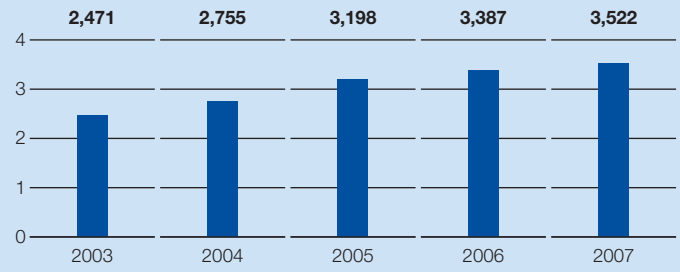
Most interesting, fastest growing markets

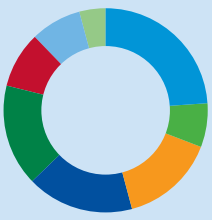
Acrylic monomers | Superabsorbents Asia | Polymer dispersions for adhesives | Polymer dispersions for construction | Polymer dispersions for architectural coatings

Estimated market growth (2008–2013): Acrylic monomers +4% | Superabsorbents +4% | Polymer dispersions +4%

Sales to third parties

Million €





Sales by major industries 2007

	%
Paper	24
Chemicals	7
Hygiene	15
Adhesives	17
Coatings	16
Construction	9
Packaging	8
Others	4

Key drivers of profitability

Long-term partnerships with customers along the acrylic acid value chain

Time-to-market for innovations

Cost leadership – competitiveness along the entire value chain

Supply and demand balance for acrylic monomers

Key capabilities of BASF

Leveraging strong market position and application know-how from mature markets in growing Asian markets

Preferred partner for innovative customers with leading technology position

World-scale production facilities

Cost benefits from backward integration (Verbund)

BASF levers to outperform these markets

Long-term cooperation with leading and innovative customers | Strong application know-how | Specific business models to meet customers' requirements | Cost and technology leadership | Investment in new capacities guided along market demand

Focus of R&D

R&D activities focus on tailor-made system solutions in order to improve products and processes of our customers as well as on process development for acrylic acid, superabsorbents and dispersions. Polymer research into colloids, water-based dispersions and polymer solutions is key to success. Nanotechnology, for example, enables us to develop innovative binders for architectural coatings.

Acquisitions/JVs/Investments (2005–2007)

Product group	Description	Year
Acrylic acid	Start of production in Nanjing, China	2005
Kaolin	Paper coating pigments acquired through Engelhard Corp.	2006
Superabsorbents	New plant in Freeport, Texas	2007
Superabsorbents	Expansion in Antwerp, Belgium	2007

Investments (from 2008 onwards)

Product group	Description	Year
Acrylic acid	Expansion in Antwerp, Belgium	2008

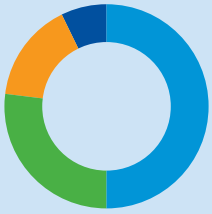
Divestitures/Shutdowns (2005–2007)

Product group	Description	Year
Polymer dispersions	Closure of Philippines plant	2006
Superabsorbents	Closure of sites in Aberdeen, Mississippi, and Portsmouth, Virginia	2007
Process chemicals	Closure of plant in Kazumi, Japan	2007

Major annual capacities of BASF

Acrylic acid	Ludwigshafen, Germany	305 kt
	Freeport, Texas	230 kt
	Antwerp, Belgium	160 kt[1]
	Nanjing, China	160 kt
	Kuantan, Malaysia	160 kt
Superabsorbents	Freeport, Texas	180 kt
	Antwerp, Belgium	175 kt
	Mannheim, Germany	25 kt
	Rayong, Thailand	20 kt

[1] Expansion 2008 to 320 kt



Sales by region 2007
(location of customer)

	%
Europe	50
North America	27
Asia Pacific	16
South America, Africa, Middle East	7

Innovation examples

1. AQAGloss®: New, innovative binder for water-based coatings for haze-free and high-gloss surfaces. A genuine alternative to traditional solvent-based coatings complying with the very latest environmental standards (e.g. VOC Directive 2010).

2. Micronal®: Phase Change Materials: Polymer shells filled with wax that have the ability to absorb and release energy and thus allow effective control of building temperature.

3. COL.9®: Environmentally friendly, water-based binder for architectural coatings with greatly improved dirt-pick-up resistance for "ever-clean" facades.

4. Polyvinylamine: Innovative polymer, increasing the strength of paper and board without the use of higher-priced raw materials.

5. Superabsorbents: BASF is developing highly innovative superabsorbent materials for next-generation diapers in strong R&D collaborations with its customers.

Care Chemicals

We provide essential products and solutions to human well-being

BASF's Care Chemicals division develops, produces and markets a comprehensive range of products for health, nutrition, personal care, detergents & cleaners, and industrial & chemical applications. As a result of focused research and development, we are a preferred partner of our customers worldwide. The products fulfill the highest safety standards and meet strict official regulations.

Main products

Vitamins

The Care Chemicals division sells vitamins mainly to the human and animal nutrition industries, with a growing presence in the cosmetics industry. For the main vitamins, A and E, BASF is the second largest supplier and holds a strong position.

Carotenoids

BASF markets nature-identical products that provide health benefits and are also used as colorants in food and feed. This product line includes beta-carotene, canthaxanthin and astaxanthin.

Enzymes

Enzymes are proteins that function as biochemical catalysts. They are used for animal nutrition to facilitate absorption of important nutrients like phosphorus, amino acids and trace elements. BASF's enzyme product line includes Natuphos® (a phytase) and Natugrain® (a combination of NSP-enzymes).

Organic acids

These are used as silage additives and preservatives for grains and compound feeds. BASF is the leading supplier of standard and tailor-made organic acid products based on formic and propionic acid for the feed industry worldwide.

Active ingredients and advanced intermediates

The main products in this category are caffeine, pseudoephedrine, theophylline, ibuprofen, povidone iodine and isotretinoin. Beverage manufacturers account for approximately 80% of the caffeine demand, pharmaceutical applications make up the remaining share.

Custom synthesis

BASF offers custom synthesis services based on a broad range of technical capabilities to the pharmaceutical industry. These activities are complemented by flexible, multi-product cGMP plants and BASF's chemical research and development skills.

Polymers

Acrylic acid derived homo and copolymers and highly functional polymers based on cationic and anionic monomers comprise the polymers product portfolio. These products are used as dispersing agents in detergents formulations, antiscalants in water treatment, special additives for hair care formulations, and as binders, disintegrants, coatings, and solubilizers for the pharmaceutical industry.

Personal care ingredients

These are raw materials for personal care products with the major applications being hair, skin, sun and oral care as well as effect pigments and beauty care solutions. The Care Chemicals division is the world market leader in UV absorbers for cosmetic applications and offers the full range of UVA and UVB absorbers.

Aroma chemicals

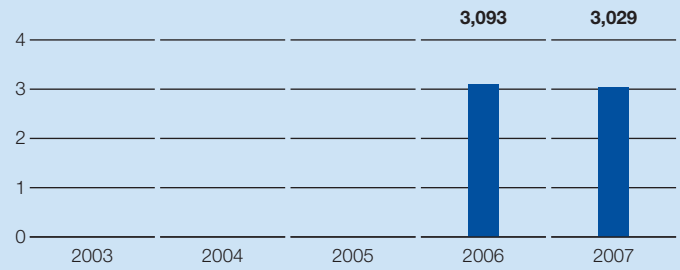
These are components for flavor and fragrance compounds that are used in many consumer products industries such as the food, personal care and the fabrics and home care industries.

Surfactants

BASF produces a wide range of nonionic surfactants based on aliphatic alcohols, ethylene oxide and propylene oxide. Such products are used in detergents and cleaners and textile and leather auxiliaries.

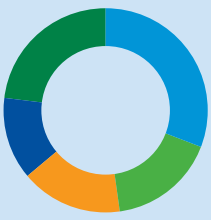
Sales to third parties*

Million €



*Only 2006 and 2007 figures available due to reorganization of the division. Sales decrease due to exit from lysine, premix and Wibarco detergent raw materials business in 2007; see divestitures/shutdowns section

Sales by major industries 2007



	%
Nutrition	31
Cosmetics	17
Detergents & cleaners	16
Pharmaceuticals	13
Chemicals	23

Key drivers of profitability

Customer proximity and market focus

Profound understanding of customers' value chains

Innovative customer solutions for product applications

Cost leadership for major products in standard quality

Key capabilities of BASF

Comprehensive technical and application know-how to serve customer needs from the detergents and formulators industries

State-of-the-art formulation technologies for vitamins and other active ingredients to the cosmetic and pharmaceutical industries

Global R&D network to transform customer and consumer needs into chemical solutions

Backward integration into Production Verbund and BASF value chains such as citral, PVP and EO chain

Hydrocyanic acid derivative
BASF produces several chelating agents based on hydrocyanic acid, which serve as process chemicals in various industries. Applications include pulp manufacturing, electroplating, laundry detergents, cleaners and photographic chemicals.

BASF market position

We are among the top 3 players in all the key product groups for care chemicals businesses.

Main competitors

Personal care ingredients: ISP, DSM, Symrise | *Aroma chemicals:* DSM, IFF, Basell | *Nutrition ingredients:* DSM, several Chinese players | *Pharma ingredients & services:* Lonza, Degussa, Shasun, ISP | *Care chemicals for detergents and cleaners:* Shell, Sasol, Dow, Rohm & Haas, Akzo

Most interesting, fastest growing markets

UV filters and active systems for cosmetics | Pharma custom synthesis | Environmentally friendly surfactants and chelating agents

Estimated market growth (2008–2013): Personal care ingredients +3.5% | Aroma chemicals +2% | Nutrition ingredients +2% | Pharma ingredients & services +5% | Detergents, cleaners and formulators +3%

BASF levers to outperform these markets

Management of cGMP and other regulated products including traceability | Highly effective and efficient innovation management system to collect, assess and realize new ideas for new products and improved processes | Strategic alliances with key customers for innovation leadership | Strong production position and market presence in major growth countries | Comprehensive product portfolios

Focus of R&D

While the Care Chemicals division's R&D ressources are mainly focused on product innovation and customer collaboration, the focus for nutrition ingredients R&D activities is process innovation. The core element of our systematic generation of new product ideas is to intensify cooperation with our customers. Continuous process innovation ensures technological and cost leadership in our major product lines.

Acquisitions/JVs/Investments (2005–2007)

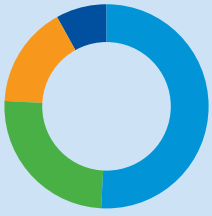
Product group	Description	Year
Pharma ingredients & services	Acquisition of Orgamol	2005
Personal care ingredients	Appearance and Performance Technologies business acquired through Engelhard Corp.	2006

Investments (from 2008 onwards)

Product group	Description	Year
Water-soluble polymers	New plant for polyacrylate polymers (Sokalan®) in Shanghai, China	2008

Divestitures/Shutdowns (2005–2007)

Product group	Description	Year
Nutrition ingredients	Closure of vitamin C production in Grenaa, Denmark	2005
Nutrition ingredients	Several premix companies sold to Nutreco and other buyers	2007
Nutrition ingredients	Closure of lysine production in Gunsan, Korea	2007
Nutrition ingredients	Closure of animal research station Offenbach/Queich, Germany	2007
Detergents & formulators	Divestiture of Wibarco, Germany	2007



Sales by region 2007
(location of customer)

	%
Europe	51
North America	25
Asia Pacific	16
South America, Africa, Middle East	8

Innovation examples

1. Uvinul® T Lite™ MAX: Provides superior UV protection combined with a lightweight skin feel.

2. Ludiflash®: An innovative pharmaceutical excipient formulation based on BASF polymers (polyvinylpyrrolidone and polyvinyl acetate), allowing reliable and cost-effective manufacture of orally disintegrating tablets. Ludiflash® results in extremely fast disintegration in the mouth accompanied by a smooth and pleasant feel. Tablets can be taken without water.

3. Lutensol XL/XP® – Eco-friendly, APEO-free surfactants based on special alcohols from BASF Verbund: Wide range of applications from cleaners to industrial; excellent soil removal – up to 30% higher specific performance versus state-of-the-art surfactants; superior cost-performance ratio.

4. Crosspure® – Beverage processing polymers with a unique two in one function: beer filtration and stabilization; will defend and secure BASF's position on the beverage processing market.

Performance Chemicals

A leading supplier of performance chemicals and consistent earnings contributor to the BASF Group

BASF's Performance Chemicals division is offering a wide range of high-value speciality chemicals for the oil, automotive, coatings and plastics industries, and for the manufacture of leather and textiles. As one of the leading suppliers we add superior performance to our customers' products and processes, enabling them to differentiate in their markets. The division is a consistent earnings contributor to the BASF Group with low cyclicality.

Main products

Pigments and resins for coatings and plastics

BASF offers organic and inorganic pigments, pigment preparations, functional colorants, light stabilizers and resins. Through the acquisition of Johnson Polymer and the pigment business of Engelhard Corp., the product portfolio was expanded to include water-based resins as well as effect pigments and specialty minerals. Resins are film-forming components used in UV curing coatings, urethane systems, melamine-based coatings as well as water-based coatings and inks. Pigments are insoluble coloring and iridescent materials used in paints, plastics, inks and other special applications. BASF's pigments and resins are used primarily in automotive, decorative and industrial paint applications, as well as in the plastics and graphic arts industries.

Chemicals for the automotive and refinery industry

We are one of the leading suppliers of performance chemicals for the automotive and refinery industry. Our products contribute to the comfort and safety of many everyday products, from fuels, coolants and brake fluids to adhesives and sealants. As a leading producer of polyisobutene (PIB), BASF offers a broad, globally available product portfolio of low, medium and high molecular weight grades. Our low molecular weight PIB is a precursor for engine, oil and fuel additives, while applications of our medium and high molecular weight PIB range from adhesives and sealants to chewing gum base.

Oil field chemicals

With the acquisition of Engelhard Corp. and Degussa Construction Chemicals, BASF has expanded its range of oilfield solutions. Products are available for almost all stages of oil and gas exploration, production and transportation. The range includes drilling fluid additives, cementing additives, stimulation products and production chemicals. Our focus is on sustainable products, global supply and tailor-made products.

Textile chemicals

BASF supplies products and solutions to all essential textile processing steps. BASF offers textile auxiliaries for weaving, pretreatment and dyeing, as well as comprehensive solutions for pigment printing, finishing and textile coating. These products are used in a wide range of textile articles, including apparel, home textiles and technical textiles. BASF textile chemicals deliver high quality, comfort and easy care through innovative effects and functions, and help customers fulfill the latest ecological requirements and standards.

Leather chemicals

BASF offers leather chemicals for the entire process of leather production, from the beamhouse and tanning through to finishing. BASF leather chemicals offer eco-efficient products and solutions that help customers meet the latest ecological requirements and standards. BASF's expertise covers a broad spectrum of applications, such as leathers for shoes, automotive, furniture, garment and accessories.

BASF market position

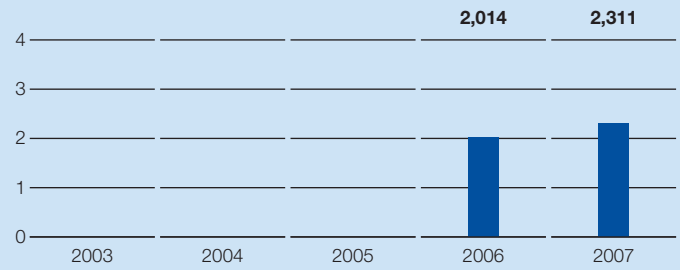
Among top 3 players in most relevant industries

Main competitors

Pigments: Ciba, Clariant, Merck | *Resins:* Bayer, Cytec, Rohm & Haas | *Mineral oil additives:* Infineum, Lubrizol, Afton | *Automotive fluids:* Shell, Arteco, Clariant | *Oil field chemicals:* Akzo, Fritz Industries, Ineos | *Textile chemicals:* Clariant, Huntsman, CHT | *Leather chemicals:* Clariant, Lanxess, TFL

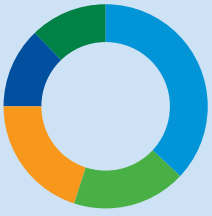
Sales to third parties*

Million €



*Only 2006 and 2007 figures available due to reorganization of the division

Sales by major industries 2007



	%
Coatings	37
Leather and textile	18
Automotive and oil	20
Plastics	13
Others	12

Key drivers of profitability

Innovativeness and application know-how

Customer proximity and market focus

Focus on segments and regions growing above GDP

Profound understanding of customers' value chains

Competitive cost structure

Key capabilities of BASF

Comprehensive technical and application know-how, competent and individual service close to our customers around the world

Use of global BASF R&D network to transform customer and consumer needs into chemical solutions

Expertise in environmental technologies

Integration into Production Verbund and BASF value chains

Most interesting, fastest growing markets

Estimated market growth (2008–2013): VOC-compliant coating resins: water-based +5–6%; UV-curing +8–9% | Light stabilizers for plastics +4% | Pigment preparations for coatings +4% | Highly reactive polyisobutene for high-performance lubricants +6–7% | Oilfield solutions +4–6% | Asian and South American markets for automotive leather +4–7% | Apparel textile markets in China and India +5–6%

BASF levers to outperform these markets

Strategic alliances with key customers for innovation leadership | Integration into BASF Know-how and Research Verbund | Strong market presence in major growth countries | Comprehensive product portfolios

Focus of R&D

Developing intelligent solutions in close cooperation with our customers is key for Performance Chemicals: More than two-thirds of our R&D spending is directly market-driven. In particular, we aim for new, fast growing markets, where we can leverage the diversity of our competencies.

Acquisitions/JVs/Investments (2005–2007)

Product group	Description	Year
Resins	Start up of Amino Resin Plant (Luwipal®) in Shanghai, China	2005
Resins	Acquisition of Johnson Polymer	2006
Pigments	Integration of pigment business acquired with Engelhard Corp.	2006
Oilfield chemicals	Integration of oilfield business acquired with Degussa Construction Chemicals and Engelhard Corp.	2006
Resins	Start-up of polyisocyanate plant (Basonat®) in Shanghai, China	2007
Chemicals for the automotive and refinery industry	Start-up of middle distillate flow improver inline blending plant (Keroflux®) in Ludwigshafen, Germany	2007

Investments (from 2008 onwards)

Product group	Description	Year (start-up)
Chemicals for the automotive and refinery industry	Three capacity expansions for polyisobutene in Antwerp, Belgium, and Ludwigshafen, Germany	2007/08
Leather chemicals	New plant for specialty chemicals for leather tanning (Basyntan®, Tamol®) in Shanghai, China	2008
Resins	New plant for water-based resins (Joncryl®) in Wyandotte, USA	2009

Divestitures/Shutdowns (2005–2007)

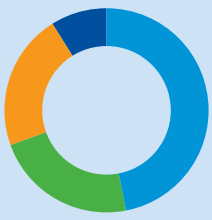
Product group	Description	Year
Pigments	Shutdown and relocation of pigment production in Muelheim (Cologne), Germany	2005
Leather and textile chemicals	Restructuring of production worldwide	ongoing
Pigments	Shutdown and relocation of production site at Incheon, Korea	2007

Major production sites of BASF

BASF's performance chemicals are produced at 37 sites worldwide. Our most important sites are listed below.

Europe	Ludwigshafen, Germany	P, R, A, L, T, O
	Besigheim, Germany	P
	Antwerp, Belgium	A
	Heerenveen, The Netherlands	R
North America	Wyandotte, Michigan	R
	Peekskill, New York	P
Asia Pacific	Shanghai/Pudong, Caojing, China	P, R, A, L, T
	Thane, India	A, L, T
South America, Africa and Middle East	Guaratinguetá, Brazil	A, P, L, T

Abbreviations: P = Pigments, R = Resins, A = Chemicals for the automotive and refinery industry, L = Leather, T = Textile, O = Oilfield



Sales by region 2007 (location of customer)

	%
Europe	48
North America	22
Asia Pacific	21
South America, Africa, Middle East	9

Innovation examples

1. Lumogen Black® – New pigments for solar heat management: Cuts solar heat build-up from incident sunlight in half; increases comfort and durability of outdoor construction elements; black cars stay cool in the sun; increases service life of decorative coatings and printing.

2. Mincor® Nanotechnology for self-cleaning high-tech textiles: Innovative nanotechnology based finishing system for self-cleaning textiles; creates nanostructured surface on textiles; dirt is washed off by rain or water droplets; for awnings, parasols, flags, tents; textiles treated with Mincor® stay clean and maintain their appearance for longer.

3. Design-MDF coloring process: BASF's special colorants and processing materials enable production of through-colored medium-density fiberboards (MDF); surface damage remains almost invisible; new design possibilities for interior and furniture design; joint development with wood-based panel manufacturer Glunz AG, Germany.

Functional Solutions

In our new segment we combine operating divisions that offer industry- and customer-specific system solutions and innovative products, in particular for the automotive and construction industries: Catalysts, Construction Chemicals, and Coatings.

Segment data

Million €	2006	Q1	Q2	Q3	Q4	2007
Sales to third parties	5,906	2,278	2,440	2,448	2,325	9,491
Share of total BASF sales (%)	11.2	15.6	16.6	17.5	15.8	16.4
Thereof Catalysts	2,411	1,199	1,226	1,248	1,131	4,804
Construction Chemicals	1,081	458	558	555	529	2,100
Coatings	2,414	621	656	645	665	2,587
Income from operations before depreciation and amortization (EBITDA)	595	230	244	247	155	876
EBITDA margin (%)	10.1	10.1	10.0	10.1	6.7	9.2
Income from operations (EBIT) before special items	473	151	168	153	85	557
EBIT before special items margin (%)	8.0	6.6	6.9	6.3	3.7	5.9
Income from operations (EBIT)	338	137	155	151	(9)	434
EBIT margin (%)	5.7	6.0	6.4	6.2	(0.4)	4.6

Segment sales in 2007

	Million €
Catalysts	4,804
Construction Chemicals	2,100
Coatings	2,587

Split of Functional Solutions* sales

	%
Specialties	100

*Excl. Precious & Base Metal Services

Catalysts

Combining the strengths of two catalyst pioneers to expand the world's leading catalyst business

BASF's Catalysts division is the global market leader in catalysis. The division develops and produces mobile emissions catalysts as well as process catalysts and technologies for a broad range of customers worldwide. The division also provides precious and base metals and related services. BASF Catalysts expands its leading role in catalyst technology through continuous process and product innovation.

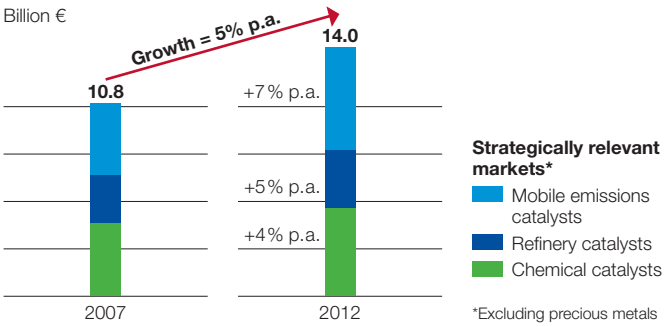
Main products

Mobile emissions catalysts
Mobile emissions catalysts enable cost-effective regulatory compliance by providing technologies that control emissions from gasoline- and diesel-powered passenger cars, sport-utility vehicles, trucks, buses, motorcycles and off-road vehicles.

Process catalysts & technologies
Process catalysts include chemical-process catalysts for chemical, petrochemical, polyolefin, and fine chemical customers, as well as aluminas and adsorbents. In addition, petroleum refining customers are served with refining catalysts and additives, some based on the division's unique Distributed Matrix Structure (DMS) technology platform. The product offering also includes customized process catalysts, such as those that enable gas-to-liquid conversion and syngas production.

Precious & base metal services
Precious and base metal services support the catalysts business and BASF customers with precious- and base metals-related services. The business purchases, sells and distributes these metals and provides storage and transportation services. It also provides a variety of pricing and delivery arrangements to meet the logistical, financial and price-risk management requirements of BASF, its customers and suppliers. In addition, the business offers precious-metals refining, and produces precious-metal salts and solutions. In 2007, precious & base metal services accounted for sales of €2,405 million.

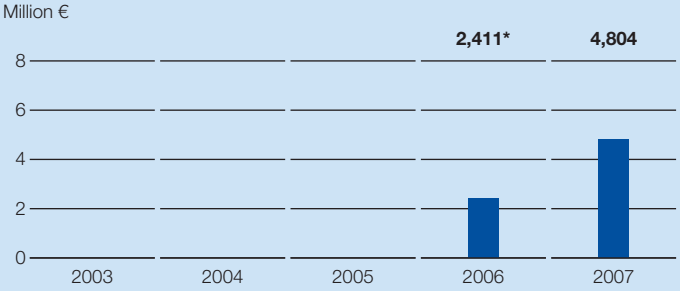
Estimated global catalysts market growth



Targets for BASF Catalysts

– Growth target (2007–2012): 7% p.a.
– Maintain high margins

Sales to third parties*



*As of June 6, 2006, following the acquisition of Engelhard Corp.

Sales by major industries 2007

	%
Motor vehicles	54
Chemicals	14
Petroleum and coal	12
Plastics and rubber	6
Others	14

Key drivers of profitability

Technology innovation

Tightening of clean air regulations driving demand for new mobile emissions catalysts

Rising raw material costs and alternative raw material sources driving process catalyst demand

Production efficiency

Strict working capital management

Key capabilities of BASF

Technology leadership in mobile emissions and process catalysis

Fundamental understanding of precious metal markets

Partnerships with industry leaders

Strong position in Asia through joint ventures

BASF market position

Mobile emissions catalysts #1 | Refinery catalysts #3 | Chemical catalysts #1

Main competitors

Mobile emissions catalysts: Johnson Matthey, Umicore | *Refinery catalysts:* Grace, Albemarle, CRI | *Chemical catalysts:* Süd-Chemie, Degussa, Haldor Topsoe

Most interesting, fastest growing markets

Light- and heavy-duty diesel mobile emissions catalysts | Gas-to-liquids catalysts | Refinery catalysts | Catalysts for conversion of alternative raw materials into energy | Catalyst markets in China, India, Middle East

BASF levers to outperform these markets

Largest global catalyst R&D capability | Recognized precious metals expertise | Operational excellence in catalyst production and use | Strong customer relationships | Unrivaled position in Asia Pacific

BASF is the market leader for automotive catalysts in Asia

Mobile emissions catalysts market share

41% BASF market share in Asia including our joint ventures in Korea and Japan

Currently serving >50% of global transplant business from Japan and Korea

Leveraging BASF's regional strength especially in rapidly growing Chinese market

Focus of R&D

Innovation in Catalysts is crucial for all our product groups. For mobile emissions catalysts the focus lies on improved products to meet new exhaust gas standards especially for diesel. For process catalysts new and improved products are priorities.

Acquisitions/JVs/Investments (2005–2007)

Product group	Description	Year
Catalysts	Acquisition of Engelhard Corp.	2006
Mobile emissions catalysts	Acquisition of Guilin REEcat Catalyst Co., Ltd., China's market leader in small engine and motorcycle catalysts	2007

Investments (from 2008 onwards)

Product group	Description	Year
Mobile emissions catalysts	Capacity expansion in Huntsville, Alabama	2008
Mobile emissions catalysts	Capacity expansion in Chennai, India	2008
Mobile emissions catalysts	New manufacturing plant in Moscow region, Russia	2008
Refinery catalysts	Capacity expansion in Savannah/Attapulgus, Georgia	2008
Polyolefin catalysts	Capacity expansion in Pasadena, Texas, and Tarragona, Spain	2008
Chemical catalysts	Capacity expansion in DeMeern, The Netherlands	2008
Mobile emissions catalysts	Capacity expansion in Shanghai, China	2009

Sales by region 2007 (location of customer)

	%
Europe	39
North America	32
Asia Pacific	17
South America, Africa, Middle East	12

Innovation examples

1. Catalyzed Soot Filter: First traps particulates from diesel engines, then uses patented catalyst technology to burn them.

2. NaphthaMax II™: Catalyst that significantly boosts gasoline yield from crude oil refining.

3. Novel Metal Zeolites: New high-performance materials for diesel catalyst applications.

Construction Chemicals

Leading solution provider in construction chemicals

BASF's Construction Chemicals division provides chemical systems and formulations for the construction industry. This business offers major innovation potential and relatively high margins resilient to economic cycles. BASF is a world leader in the dynamic construction market.

Main products

Admixture systems

BASF technologies for admixture systems optimize the properties of concrete. They particularly contribute if used in extreme environments or in complex constructions projects, such as bridges, skyscrapers and tunnels. Our well known admixture brands include: Glenium®, Rheobuild® and Pozzolith®. In underground construction, admixtures and machinery are offered under the Meyco® brand.

Construction systems

Construction systems protect and repair structures. BASF offers adhesives (PCI®, Sonneborn®), repair mortars (Emaco®), sports and industrial flooring (Conipur®, Ucrete®, Mastertop®), sealants (Masterflex®, Sonoplastic®), waterproofing membranes (Masterseal®), and products for wall systems and facades (Heck®, Senergy®, Colfirmit®, Rajasil®).

BASF market position

Admixture systems: global # 1 | Construction systems: globally among top 3, sports flooring global # 1

Main competitors

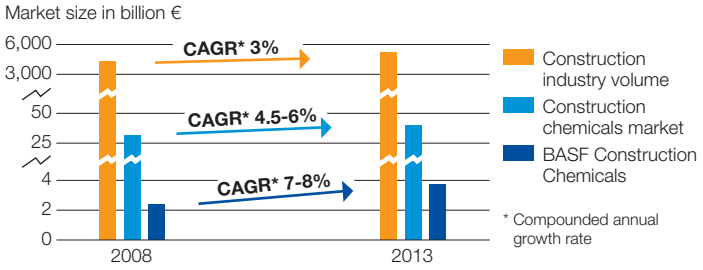
Admixture systems: Sika, W.R. Grace, Mapei |
Construction systems: RPM, Mapei, Bostik, Sika

Most interesting, fastest growing markets

For both admixture systems and construction systems: Asia Pacific, Eastern Europe, Middle East/Africa

Estimated market growth (2008–2013): Admixture systems +6% |
Construction systems +5%

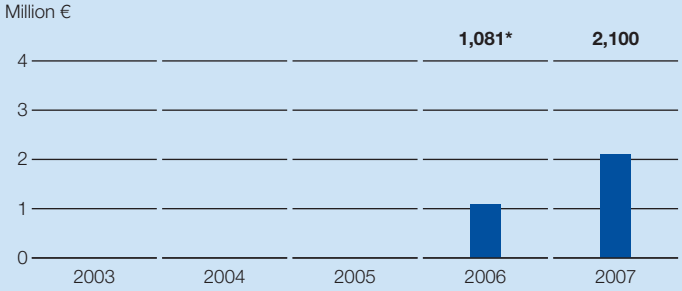
Growth above construction industry



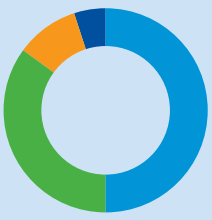
Construction industry volume
– Biggest industry of national economies
– Growth depends on macroeconomic environment

Construction chemicals market
– Market demands construction materials with improved functionality

Sales to third parties



*As of July 1, 2006, following the acquisition of Degussa Construction Chemicals



Sales by channel 2007

	%
Concrete producers/professionals	50
Professional distributors/retailers	35
Contractors and others	10
Do-it-yourself	5

Key drivers of profitability

Products matching a broad variety of customer needs

Reliability of product performance

Quality of sales and technical service

Developing tailor-made solutions

Anticipating future market trends

Key capabilities of BASF

Customer orientation, proximity to market, experienced staff, high flexibility, established brands

Integration into BASF product, technology, and know-how Verbund

BASF levers to outperform these markets

Focus on growth markets, megatrends and lead customers | Further growth potential within BASF Verbund (e.g. global presence, R&D, backward integration)

Focus of R&D

The main targets are to improve the durability of concrete, develop customized admixtures that reduce the overall construction cost and produce completely new polymers based on novel molecular architectures. Fundamental research into mineralogy and the interaction of polymers and hydraulic binders are crucial for future success. Furthermore, we are focusing on reactive resins, non-reactive/water-based polymers and new formulations as well as steady improvements from batch to continuous production processes.

Acquisitions/JVs/Investments (2005–2007)

Product group	Description	Year
Construction Chemicals	Acquisition of Degussa Construction Chemicals	2006
Concrete admixtures	Acquisition of Hi Con in Sichuan, China	2007
Concrete admixtures	Investment in concrete admixture in Zibo, China	2007
Concrete admixtures	Investment in concrete admixture in Ploiesti, Romania	2007
Construction systems – flooring	Investment in tinting concept in Schaffhausen, Switzerland	2007
Construction systems – sealants	Investment in polyurethane sealants in Colorado, USA	2007
Construction systems – tile fixing	Investment in tile adhesive sytems in Foshan, China	2007

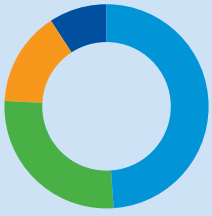
Construction Chemicals target customers

Business area	Customer industries
Admixture systems	Ready-mix concrete
	Precast concrete
	Manufactured concrete products
	Tunnel building
	Mining

Invisible Contribution:
Products for improving the workability and final properties of concrete

Business area	Customers
Construction systems	Construction industry, especially:
	– Distributors
	– Contractors and applicators
	– Owners of buildings

Visible Contribution:
Finished products for bonding, protecting and repairing of building materials



Sales by region 2007
(location of customer)

	%
Europe	49
North America	27
Asia Pacific	15
South America, Africa, Middle East	9

Innovation examples

1. RheoFIT®: Innovative admixtures for better concrete products addressing key requirements: fit for economics, fit for performance, fit for aesthetics, and fit for durability.

2. Glenium® SKY: Ensures a constant high-quality concrete with a low water/cement ratio and provides a concrete with extended workability.

3. Sonolastic®: Next generation sealant and adhesive products with new superior properties.

4. Nanosilent®: Self-levelling isolation mortar that combines three steps into a single operation: levelling, isolation and footfall sound reduction.

5. Nanocrete®: Easily useable repair mortars with improved shrinkage compensation and adhesive properties.

6. RheoMATRIX®: Unique stabilizer providing superior robustness in highly fluid concretes, enabling the construction industry to save time and money while increasing concrete durability and quality.

Coatings

Coatings combine protection and aesthetics with eco-efficiency in tailor-made customer products and processes

BASF's Coatings division offers innovative and environmentally friendly products for the automotive industry, including both finishes and refinishes, and for particular segments of the industrial coatings market. BASF also sells decorative paints mainly in South America for interior and exterior use in residential and commercial buildings. We combine protection and aesthetics with eco-efficiency in tailor-made customer products and processes.

Main products

Automotive OEM (Original Equipment Manufacturer) coatings solutions
BASF offers complete automobile coatings solutions including e-coat (CathoGuard®), primer (StarBloc®), basecoat (ColorPro®) or clearcoat (ProGloss®) as well as extensive technical support to most of the world's leading automobile manufacturers.

Automotive refinish/commercial transport coatings solutions
For the refinishing of cars and commercial vehicles, BASF offers topcoat and undercoat materials under the global brands Glasurit® and R-M®, which are sold to paint distributors and automotive repair shops. BASF is a leader in the field of waterborne coatings as well as high-solid systems, enhanced by added-value tools for end users.

Industrial coatings solutions
BASF offers environmentally efficient systems for coating industrial products, such as COILTEC®, an universal chromate-free coil coating primer. Application technologies include precoatings, powder, electro-deposition and liquid coatings that are used on household appliances, radiator components, industrial buildings, pipes, ships and wind turbines.

Decorative paints
For interior and exterior use in buildings, BASF offers decorative paints, marketed under the well known premium brand Suvinil® in South America and sold under the Relius® brand in Europe.

BASF market position

Global #3 in OEM automotive coatings | Global #3 in automotive refinish coatings | Global #3 in coil coatings | Decorative paints South America #1

Main competitors

Automotive OEM coatings: DuPont, PPG, Kansai Paint | *Automotive refinish coatings:* DuPont, PPG, Akzo | *Industrial coatings:* Akzo, Valspar, DuPont | *Decorative paints South America:* Akzo, Sherwin Williams

Most interesting, fastest growing markets

Automotive Asia Pacific | Automotive Eastern Europe | Decorative paints South America

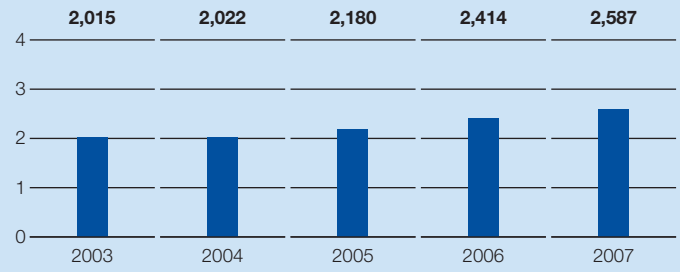
Estimated market growth (2008–2013): Automotive OEM coatings +2% | Automotive refinish coatings +1% | Industrial coatings +4% | Decorative paints South America +4%

BASF levers to outperform these markets

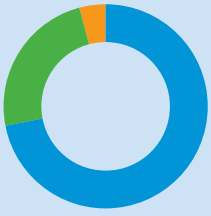
Leading application know-how | Global production and market presence | Technical support on-site with the customer | Innovative products and processes

Sales to third parties

Million €



Sales by major industries 2007



	%
Automotive	72
Construction	24
Others	4

Key drivers of profitability

Combination of protection and aesthetics as value indicator

Managing raw material price pressure, especially solvents and resins

Value pricing of additional services along the supply chain

Efficient distribution channels in end-user markets

Innovation transfer into the market

Key capabilities of BASF

Strong premium brands in end-user markets

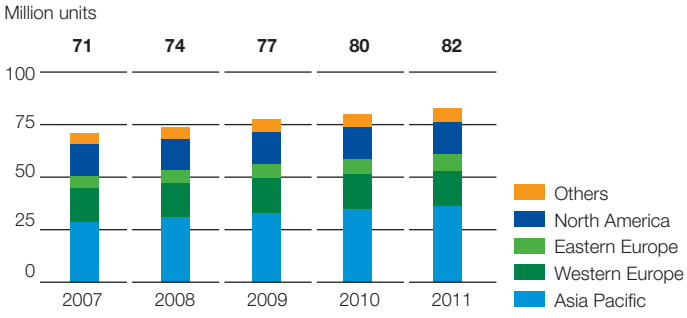
Innovative long-term cooperation with leading OEM customers

End-user services creating additional value and long-term relationships

Services and tools within automotive industry for handling of color complexity

Leveraging strong market position and application know-how from mature markets into growing markets

Global passenger car production



Source: Global Insight, January 2008

Focus of R&D

Our innovation efforts for the automotive industry are focused on close partnerships with our customers in order to formulate e.g. new coatings solutions for integrated processes, unique eco-efficient colors, and extremely durable clear coats by using the latest crosslinking technologies (e.g. nano architectures, UV technology). Additional research topics are improved products for new technology markets (e.g. wind energy) and ecological requirements (e.g. chromate-free coil coating primer).

Acquisitions/JVs/Investments (2005–2007)

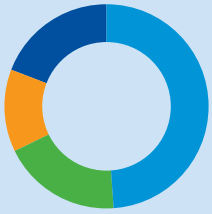
Product group	Description	Year
Coatings	Acquisition of remaining 50% of joint venture with NOF, Japan	2005
Industrial coatings	Acquisition of coil coatings from Rhenania, Europe	2005
Automotive OEM	New plant in Pavlovski Posad, Russia	2007

Investments (from 2008 onwards)

Product group	Description	Year
Coatings	Resin expansion in Demarchi, Brazil	2008
Automotive OEM	Water-based coatings expansion in Würzburg, Germany	2009

BASF production sites

Europe	Münster, Germany	Deeside, United Kingdom
	Würzburg, Germany	Clermont, France
	Schwarzheide, Germany	Guadalajara, Spain
	Oldenburg, Germany	Burago, Italy
	Memmingen, Germany	Verbania, Italy
	Pavlovski Posad, Russia	
North America	Belvidere, New Jersey	Decatur, Alabama
	Greenville, Ohio	Tultitlán, Mexico
	Southfield, Michigan	Windsor, Canada
South America	São Bernardo, Brazil	Tortuguitas, Argentina
Asia Pacific	Totsuka, Japan	Shanghai, China
	Ako, Japan	Mangalore, India



Sales by region 2007
(location of customer)

	%
Europe	49
North America	19
Asia Pacific	13
South America, Africa, Middle East	19

Innovation examples

1. Integrated Process: Reduction of one process step by integration of functionality of one layer into another coatings layer, creating synergies for our OEM customers.

2. UV-curing Refinish BaseCoat: Eco-friendly and economical fast curing resulting in high scratch resistance, extreme hardness and durability.

3. Blade protect: Easily applicable coating that substantially extends lifetime of rotor blades in wind energy mills – particularly on leading edges suffering from abrasion.

4. Coating as a decorative element: Positioning of decorative paints in South America as aesthetic elements aimed at end customers by offering small color test products as well as online color environment simulators.

Agricultural Solutions

Our crop protection products safeguard crops and thus protect harvests. We strengthen our competitive position with innovative products. Our research in plant biotechnology focuses on plants for more efficient agriculture, healthier nutrition and as renewable raw materials. BASF Plant Science is working on most attractive agronomic and output traits of second and third generation with R&D expenditures of at least €400 million in 2006–2008 mainly reported under 'Other' (see pages 25 to 27).

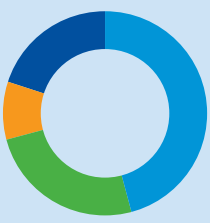
Segment data*

Million €	2006	Q1	Q2	Q3	Q4	2007
Sales to third parties	3,079	897	957	574	709	3,137
Share of total BASF sales (%)	5.9	6.1	6.5	4.1	4.8	5.4
Income from operations before depreciation and amortization (EBITDA)	688	274	290	46	108	718
EBITDA margin (%)	22.3	30.5	30.3	8.0	15.2	22.9
Income from operations (EBIT) before special items	402	231	241	(5)	59	526
EBIT before special items margin (%)	13.1	25.8	25.2	(0.9)	8.3	16.8
Income from operations (EBIT)	472	226	241	(5)	54	516
EBIT margin (%)	15.3	25.2	25.2	(0.9)	7.6	16.4

*As of January 1, 2008, the Fine Chemicals division has been reorganized and continues operations in the Performance Products segment as the Care Chemicals division.

Sales by major product groups 2007

	%
Herbicides	37
Fungicides	40
Insecticides/other	23



Sales by region 2007
(location of customer)

	%
Europe	46
North America	25
Asia Pacific	9
South America, Africa, Middle East	20

Crop Protection

Innovative solutions for modern agriculture

BASF's Crop Protection division directs major resources towards meeting the needs of the high-value agricultural markets in Western and Central Europe, North America, Brazil and Japan. The division aims to sustain its role as a leading innovator by continuing its extensive research and development activities. We aim to achieve a 25% EBITDA margin before special items under optimal conditions.

Main products

F 500® (pyraclostrobin)
F 500® is a highly effective fungicide, safe for crops and has a favorable toxicological and ecotoxicological profile. As of the end of 2007, F 500® had been approved in more than 60 countries for over 150 crops in over 100 indications. Products containing F 500® have been launched successfully in all regions. Development of Plant Health, a novel high-value market segment, is based on F 500® fungicide.

Boscalid
Boscalid is one of the most recent active ingredients from our research and is highly effective for controlling fungal diseases, especially in fruits and vegetables. With its broad spectrum of activity and crop uses, Boscalid is the backbone of our specialty crop business, complementing our strobilurins and other molecules. Launched in 2003, it has received registrations in over 50 countries for more than 200 crops in over 100 indications by the end of 2007.

The CLEARFIELD® production system
The CLEARFIELD® production system combines herbicide-resistant seeds developed by using enhanced plant breeding methods (non-GMO) with custom-designed herbicide solutions. CLEARFIELD® crops currently being marketed include canola, sunflower, corn, rice and wheat.

Fipronil
Fipronil is an active ingredient of a unique class of insecticide chemistry. It plays a strategic role in BASF's insecticides portfolio. Fipronil puts the Crop Protection division in a position to strongly participate in ongoing and future shifts in agricultural demand towards more modern insecticides. Furthermore, it strengthens BASF's position in attractive non-crop market segments, such as structural/urban pest control, turf and ornamental plants.

BASF market position

Fungicides #3 | Herbicides #5 | Insecticides #3

Main competitors

Fungicides: Syngenta, Bayer | *Herbicides:* Monsanto, Syngenta, Bayer, Dow | *Insecticides:* Bayer, Syngenta

Most interesting, fastest growing markets

Innovative products in R&D: 9 insecticides, 5 fungicides | Strategic/high-value markets: EU, USA, Canada, Brazil, Japan | Promising opportunity markets: Eastern Europe, China, USA, India | Energy crops: corn (maize), sugar cane, oilseed rape (canola), soybeans | Fruit and vegetables | Non-crop

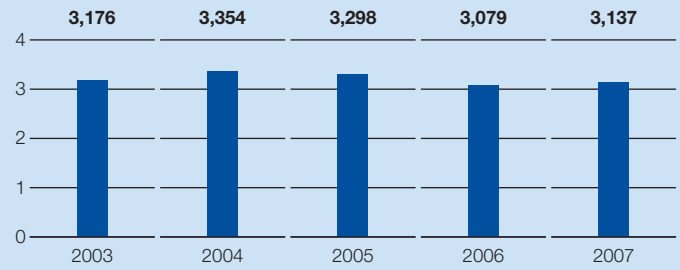
Estimated market growth (2008–2013): Fungicides +2% | Herbicides 0% | Insecticides +1%

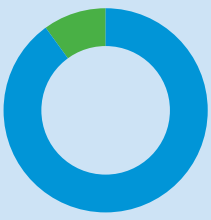
BASF levers to outperform these markets

Innovative solutions | Focus on high-value markets and products | Leading share of business from patent-protected solutions

Sales to third parties

Million €





Sales by major industries 2007

	%
Agriculture	90
Non-Agricultural*	10

*Aqua-culture, forestry, home and garden, industrial weed control, ornamentals, public health, turf, urban pest control

Key drivers of profitability

New products from research pipeline or from acquisitions

Alignment of resources as well as product and service offering to customers' needs in high-value and innovation-driven markets

Effective management of assets and costs

Key capabilities of BASF

Strong R&D engine, building on track record of successful innovations

Focus on high-value markets and products

Strict portfolio management

Focus of R&D

Significant R&D activities focusing on fungicides, insecticides and selected herbicides, where further market growth and high demand for innovation is expected.

Powerful agrochemical R&D pipeline

Higher peak sales potential through new development projects

Phase (Launch year)	**Projects**	**Major crops/ markets**	**Peak sales potential**
Launched (2002)	F 500®/ Pyraclostrobin (F)	Field crops, specialty crops	€1,100 million*
	Chlorfenapyr (I)	Non-crop	
In launch (2003–2007)	Boscalid (F), Dimoxystrobin (F), Metrafenone (F), Orystrastrobin (F)	Field crops, specialty crops	
	Tritosulfuron (H), Topramezone (H)	Field crops	
	Metaflumizone (I)	Specialty crop	
In development (2008–2013)	3 Fungicides	Field crops, specialty crops	€700 million
	1 Herbicide	Field crops, non-crop	
	1 Herbicide tolerance	Field crops	
	1 Insecticide	Non-crop	

* Thereof products launched and in launch reached 65% in 2007

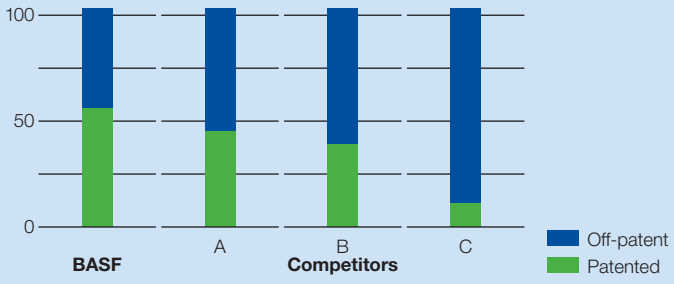
Divestitures/Shutdowns (2005–2007)

Product group	**Description**	**Year**
Triforine, imazamethabenz, phorate, difenzoquat	Divestiture of assets (no production)	2005
Production site	Employee buy-out of complete production site in Resende, Brazil	2005
Formulation site	Divestiture of formulation site in Cibitung, Indonesia, and in Hsing Feng, Taiwan	2005
Micro Flo	Divestiture of major assets (U.S. market)	2006
Manufacturing site	Closure of agrochemical synthesis in Thane, India	2006
Terbufos	Divestiture of worldwide assets (no production)	2006

Investments (from 2008 onwards)

For 2008 we plan to invest €90 million. The largest single project is the production capacity for the new herbicide Saflufenacil.

Sales of patent protected products as % of total sales



Innovation examples

1. Plant Health: Development of a novel high-value market segment with F 500® fungicide.

2. Boscalid active ingredient: Broad spectrum fungicide in launch with successfull expansion of market potential.

3. New active ingredients successfully launched: Orysastrobin rice fungicide and metaflumizone specialty crops insecticide.

4. Innovative herbicide in development: Kixor/Saflufenacil – Highly effective herbicide against important broadleaf weeds in key crops.

5. New products from BASF Technology Verbund, such as Interceptor™: The long-lasting insecticide nets for malaria control.

Oil & Gas

As the largest German producer of oil and gas, we benefit from our many years of expertise in exploration and production. We concentrate on oil and gas-rich regions in Europe, North Africa, South America, Russia and the Caspian Sea region. Together with our partner Gazprom, we are tapping into the growth opportunities arising from increased demand for natural gas in Europe and the liberalization of European gas markets through our "Gas for Europe" strategy.

Segment data

Million €	2006	Q1	Q2	Q3	Q4	2007
Sales ot third parties	10,687	2,970	2,269	2,185	3,093	10,517
Share of total BASF sales (%)	20.3	20.3	15.5	15.6	21.0	18.1
Thereof Exploration & Production	4,555	972	1,144	1,044	1,205	4,365
Natural Gas Trading	6,132	1,998	1,125	1,141	1,888	6,152
Income form operations before depreciation and amortization (EBITDA)	3,781	972	839	785	996	3,592
EBITDA margin (%)	35.4	32.7	37.0	35.9	32.2	34.2
Thereof Exploration & Production	3,023	626	749	705	821	2,901
Natural Gas Trading	758	346	90	80	175	691
Income from operations (EBIT) before special items	3,260	848	712	662	809	3,031
EBIT before special items margin (%)	30.5	28.6	31.4	30.3	26.2	28.8
Thereof Exploration & Production	2,655	536	656	622	672	2,486
Natural Gas Trading	605	312	56	40	137	545
Income from operations (EBIT)	3,265	848	712	662	809	3,031
EBIT margin (%)	30.6	28.6	31.4	30.3	26.2	28.8
Thereof Exploration & Production	2,660	536	656	622	672	2,486
Natural Gas Trading	605	312	56	40	137	545

Segment sales in 2007

	%
Exploration & Production	42
Natural Gas Trading	58

Exploration & Production

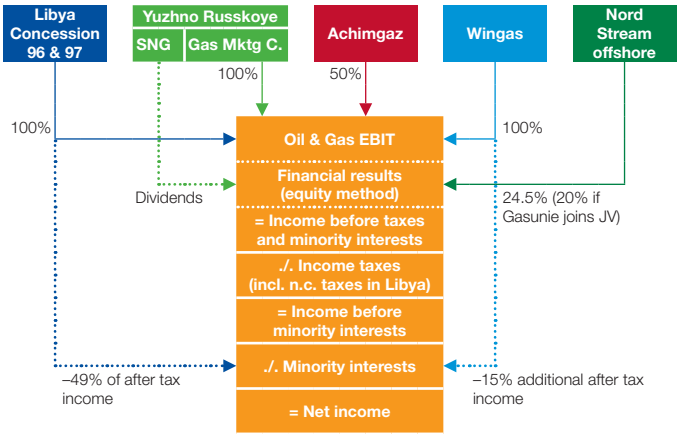
Sustainable earnings through focused E&P activities and selective technology development

Exploration and production is performed by Wintershall Holding AG and its subsidiaries. Wintershall focuses its activities on core regions: Europe, North Africa, South America, Russia and the Caspian Sea. Based on current activities in Qatar, Wintershall is evaluating further opportunities in the Middle East. In Europe, the business is driven by the integration of the E&P business and the gas distribution, storage and trading business, which are combined in our "Gas for Europe" strategy.

Most interesting, fastest growing markets

Estimated market growth (2007–2012): Oil demand, world (E&P) 1.5–2% p.a. | Gas demand, world (E&P) 2.5–3% p.a.

New projects with Gazprom Impact on BASF's P&L structure



BASF levers to outperform these markets

Partnership with Gazprom, access to gas resources | Technology for developing complex oil and gas reservoirs (e.g. extended reach drilling, enhanced oil recovery) | Integrated upstream/midstream player | Lean organization

BASF benefits from E&P business

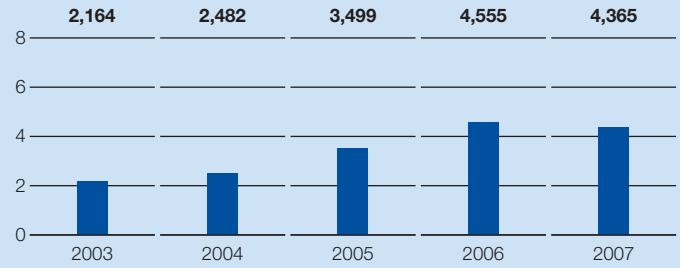
Long-term security of gas supply in Europe | Hydrocarbon hedge | Significant cash flow | Sustainable profitability

Acquisitions/JVs/Investments (2005–2007)

Description	Year
Exploration licenses awards in the North Sea (Norway, The Netherlands, Germany, United Kingdom, Denmark)	2005–2007
Development F 16 gas field, The Netherlands	2005
Exploration license award Blocks Ta 05&06, Mauritania	2005
Development Carina/Aries gas field, Argentina	2006
Mittelplate oil field, offshore Germany, installation of higher capacity drilling rig	2006
Exploration license award Area 201 (Kufra), Libya	2006
Asset swap with Gazprom; farm-in Yuzhno Russkoye, Russia	2007
Exploration license award Qatar, Block 3	2007

Sales development exploration and production

Million €



Production 2007 by core region

	%
Europe	27
North Africa	46
Southern Cone	23
Russia	4

Key drivers of profitability

Oil price

Exploration success, successful acquisitions and farm-ins

Selective technology development and deployment

Lean organization

Integrated gas business

Key capabilities of BASF

Focus on core regions

Technology for the development of complex reservoirs and longstanding experience in enhanced oil recovery (EOR)

Partnership with Gazprom: direct involvement in the production of natural gas in West Siberia

Investments (from 2008 onwards)

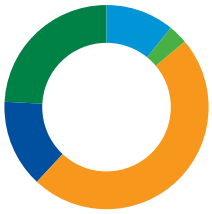
Description	Year
Achimgaz, development gas/condensate field, Russia	2005–2015
Gas field development Yuzhno Russkoye, Russia	2007–2013
Water flooding project, Libya	2009
Gas field development E18, The Netherlands	2009
Gas field development P9a, The Netherlands	2009
Gas field development Aguada Pichana, Argentina	2009

Divestitures/Shutdowns (2005–2007)

Description	Year
49% of a German Wintershall subsidiary holding Libyan concessions 96 & 97 were transferred to OAO Gazprom as part of the Yuzhno Russkoye asset swap	2007

Oil & Gas – Reserves

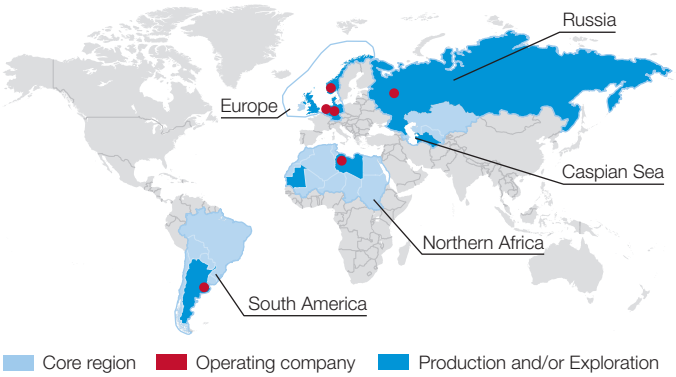
(Total proven reserves: 1,132 million boe)



	%
Germany	11
North Sea (NL+UK)	3
Russia	48
Libya*	14
Argentina	24

*Libyan concession (96/97) at 51%

Exploration and production – Core region strategy



Europe
– Traditional strength in oil and gas
– Base for technological expertise

Russia
– Development of Siberian gas
– Acquisition of new projects

Caspian Sea
– Exploration in Russian and Turkmen sectors

Northern Africa
– Established player in Libya since 1958
– Additional growth opportunities

South America
– Established production in Argentina and further exploration

Production 2007 (112 million boe)

	%
Oil	57
Gas	43

Projects

1. Achimgaz: Total reserves: 200 billion m³ gas, 40 million tons condensate; development cost: €1.1 billion (100%), BASF share €0.6 billion; projected production start 2008.

2. Asset swap with Gazprom: 600 billion m³ gas reserves in Yuzhno Russkoye, Russia; development cost €1.9 billion (100%), BASF share €0.7 billion; production start in 2007; BASF with 25% less one share and 10% non-voting shares significantly improves its reserve base and long-term production volumes; Gazprom extends its Wingas participation (50% less one share, up from 35%); Gazprom will participate with 49% share in a German Wintershall subsidiary holding Libyan onshore concessions 96 and 97

Natural Gas Trading

Wingas – more energy together. Securing natural gas supply for Europe.

The natural gas trading business is mainly performed by Wingas GmbH and its subsidiaries. Wingas is a joint venture of Wintershall Holding AG in Kassel, Germany's largest crude oil and natural gas producer, and Russia's OAO Gazprom. Wingas has been supplying natural gas to public utilities, regional gas suppliers, industrial facilities and power plants in Germany and other European countries since 1993. Wingas also operates and markets storage capacity as well as fiber-optic capacity. Wingas subsidiary Wingas Transport is operating and marketing more than 2,000 km of pipeline network capacity in Germany. Other gas trading joint ventures with Gazprom are WIEH, focusing on sales in Eastern Germany, and WIEE, which is active in Romania and Bulgaria. In 2007, total sales were 37 billion cubic meters, of which 25 billion cubic meters came from Wingas.

Most interesting, fastest growing markets

Estimated market growth (2008–2012): European gas market (EU 27): 1.0%–1.5% p.a. | Strong growth in gas import demand from approx. 330 billion cubic meters in 2006 to 500 billion cubic meters in 2020

BASF levers to outperform these markets

Partnership with Gazprom, access to long-term gas resources in a market environment of rapidly increasing import demand | Strong focus on storage (largest storage facility in Western Europe) as attractive European business to gain from growing demand for flexibility and security of supply | High-performing pipeline network in the heart of Europe (turntable for gas) | Lean organization

BASF benefits from natural gas trading business

Sustainable profitability through a strong downstream position in a growing European gas market | Contribution to reduce volatility of BASF Group earnings | Part of the value-generating gas chain (upstream/midstream/downstream) | Long-term security of gas supply in Europe

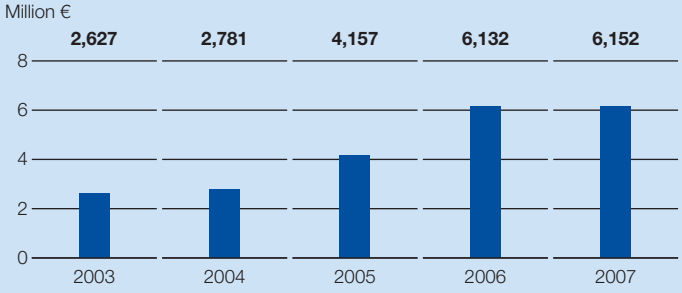
Acquisitions/JVs/Investments (2005–2007)

Description	begin	end
Acquisition of Saltfleetby gas field, United Kingdom (planned conversion to gas storage facility)		2005
Extension of STEGAL, WEDAL pipelines in Germany		2006
Acquisition of 50% of HydroWINGAS, United Kingdom		2007
Haidach gas storage facility, Austria (first phase)	2005	2007
Nord Stream I+II pipeline project with Gazprom	2007	2012
Ostseepipeline-Anschlussleitung (OPAL)	2007	2011

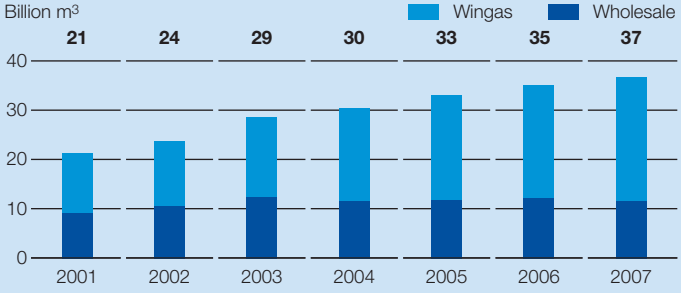
Investments (from 2008 onwards)

Description	begin	end
Nord Stream I+II offshore pipeline project	2007	2012
Ostseepipeline-Anschlussleitung (OPAL)	2007	2011
Norddeutsche Erdgasleitung (NEL)	2008	2012
Haidach gas storage facility, Austria (second phase)	2007	2011
Jemgum gas storage, Germany	2007	2012
Saltfleetby gas storage, United Kingdom	2008	2011

Sales development natural gas trading



Natural gas trading (including sales to BASF)



Key drivers of profitability

Oil price volatility and time lag effects

Weather conditions

Spot market opportunities

Long-term access to gas reserves, transport and storage capacity

Liberalization of European natural gas markets

Key capabilities of BASF

Portfolio of supply and sales contracts (diversified in regions, price indexations and customer segments) with integrated storage facilities

Partnership with Gazprom, largest gas reserve holder worldwide

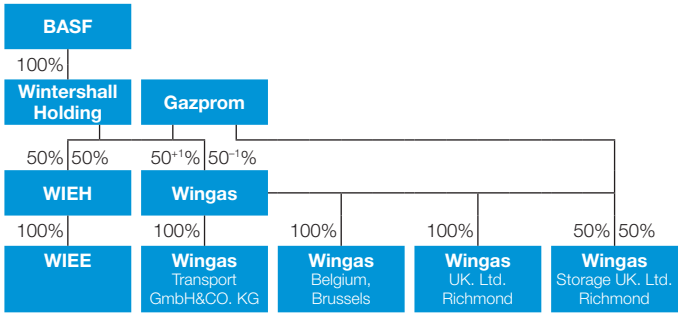
Integrated value chain from production in Siberia to infrastrucure (pipelines/storage) and gas trading with focus Western Europe

Modern high-performance gas transportation system as logistic hub in Central Europe

Divestitures/Shutdowns (2005–2007)

Description	Year
15% less one share of Wingas were transferred from Wintershall to OAO Gazprom as part of the asset swap between Wintershall and Gazprom	2007

Ownership structure



The Wingas pipeline grid

- Wingas Transport pipeline
- Wingas Transport pipeline (planned/under construction)
- Transit pipeline
- Transit pipeline (planned/under construction)
- Wingas underground storage facility
- Wingas underground storage facility (planned/under construction)
- Wingas Transport gas compressor station
- Wingas Transport gas compressor station (planned/under construction)

Wingas sales by region 2007 (25 bn m³)

	%
Germany	60
Rest of Europe	40

Projects

1. Nord Stream: Largest single infrastructure project for European supply, Gazprom 51%, E.ON 20%, BASF 20%, Gasunie 9%, total capacity 55 billion cubic meters per year, total investment offshore €7.4 billion (source: Nord Stream AG).

2. Wincarry: Innovative tariff system for transportation services

3. Winstore: Innovative tariff system for different storage products

Supplementary information concerning oil and gas producing activities

Oil and gas reserves

Proved oil and gas reserves are the estimated volumes of crude oil, natural gas and natural gas liquids that are shown by geological and engineering data with reasonable certainty to be recoverable in future years from known reserves under existing economic and operating conditions. Accordingly, reserve estimates could be materially different from the quantities of oil and natural gas that are ultimately recovered.

To reduce uncertainties, Wintershall has used independent, internationally recognized reserve auditors for some years to perform reserves audits of its major oil and gas fields. The tables below show the estimated net quantities as of December 31, 2007 of the Company's proved oil and gas reserves and proved developed oil and gas reserves, as well as changes in estimated proved reserves as a result of production and other factors.

2007 Oil

	Germany	Southern North Sea[1]	Russia	Libya	Argentina	Rest of World	Total
Proved developed and undeveloped oil reserves as of January 1, millions of barrels (MMbbl)	**68**	**1**	**12**	**306**	**54**	**1**	**442**
Revisions and other changes	4	.	1	8	(4)	.	9
Extensions and discoveries	–	–	–	3	–	–	3
Purchase/sale of reserves	–	–	–	–	–	–	–
Production	9	.	2	47	5	1	64
Proved reserves as of December 31	**63**	**1**	**11**	**270**	**45**	**–**	**390**
Minority interests	–	–	–	126	–	–	126
Proved reserves after minority interests	**63**	**1**	**11**	**144**	**45**	**–**	**264**
Thereof at equity companies	–	–	11	–	–	–	11
Proved reserves after minority interests and at equity companies	**63**	**1**	**–**	**144**	**45**	**–**	**253**
Minority interests in production	–	–	–	*2*	–	–	*2*
Proved developed reserves as of December 31	*44*	*1*	*11*	*265*	*37*	–	*358*

[1] The Netherlands, Great Britain, Denmark

2007 Gas

	Germany	Southern North Sea[1]	Russia	Libya	Argentina	Rest of World	Total
Proved developed and undeveloped gas reserves as of January 1, Billion Standard Cubic Feet (BSCF)[2]	**376**	**200**	**–**	**232**	**1,408**	**14**	**2,230**
Revisions and other changes	34	35	–	(14)	55	(3)	107
Extensions and discoveries	–	2	–	4	–	–	6
Purchase/sale of reserves	–	1	3,254	–	–	(2)	3,253
Production	45	76	15	28	126	1	291
Proved reserves as of December 31	**365**	**162**	**3,239**	**194**	**1,337**	**8**	**5,305**
Minority interests	–	–	–	95	–	–	95
Proved reserves after minority interests	**365**	**162**	**3,239**	**99**	**1,337**	**8**	**5,210**
Thereof at equity companies	–	–	3,239	–	–	–	3,239
Proved reserves after minority interests and at equity companies	**365**	**162**	**–**	**99**	**1,337**	**8**	**1,971**
Minority interests in production	–	–	–	*1*	–	–	*1*
Proved developed reserves as of December 31.	*332*	*162*	*1,275*	*190*	*956*	*8*	*2,922*

[1] The Netherlands, Great Britain, Denmark
[2] The natural gas volumes can be converted with the factor 6 BSCF per MMBOE (Million Barrel Oil Equivalent).

Operating results of operations from oil and gas producing activities

This represents only those revenues and expenses directly associated with Wintershall's oil and gas production. These amounts do not include any allocation of interest expenses or corporate overheads and are therefore not necessarily indicative of contributions to consolidated net earnings of the company. Estimated income taxes were computed by applying the statutory income tax rates to the pretax income from producing activities.

2007 (million €)	**Germany**	**Southern North Sea**[1]	**Russia**	**Libya**	**Argentina**	**Rest of World**	**Total**
Sales crude oil (incl. condensate and LPG)	400	28	60	2,346	142	19	2,995
Sales natural gas	265	417	26	9	128	2	847
Local duties (royalties, export, etc.)	102	6	27	148	54	4	341
Total sales (net of duties)	**563**	**439**	**59**	**2,207**	**216**	**17**	**3,501**
Production costs	94	86	15	170	65	3	433
Exploration expenses	13	115	33	39	9	67	276
Depreciation, amortization and impairments	67	125	5	55	39	2	293
Other	23	(1)	2	10	(33)	(16)	(15)
Operating income before taxes	**366**	**114**	**4**	**1,933**	**136**	**(39)**	**2,514**
Income taxes	131	29	–	1,756	31	(14)	1,933
Operating income after taxes	**235**	**85**	**4**	**177**	**105**	**(25)**	**581**
Minority interests	–	–	–	6	–	–	6
Operating income after taxes and minority interests	**235**	**85**	**4**	**171**	**105**	**(25)**	**575**
Thereof at equity companies	–	–	12	–	–	–	12
Operating income after taxes, minority interests and at equity companies	**235**	**85**	**(8)**	**171**		**(25)**	**563**

[1] The Netherlands, Great Britain, Denmark

Costs incurred in oil and gas property acquisition, exploration and development activities

Costs incurred represent amounts capitalized or charged against income as incurred in connection with oil and gas property acquisition, exploration and development activities. The expenditure on acquisitions in 2007 related to proved reserves from the asset swap with Gazprom.

2007 (million €)	**Germany**	**Southern North Sea**[1]	**Russia**	**Libya**	**Argentina**	**Rest of World**	**Total**
Acquisitions	–	–	1,448	–	–	–	1,448
Exploration	17	76	13	48	6	70	230
Development	57	55	532[2]	71	41	4	760
Total expenditure	**74**	**131**	**1,993**	**119**	**47**	**74**	**2,438**

[1] The Netherlands, Great Britain, Denmark
[2] Includes BASF's share in the financing of the investments of Severneftegazprom.

Other

Financial data

Million €	2006	Q1	Q2	Q3	Q4	2007
Sales to third parties	5,822	1,505	1,748	1,656	1,701	6,610
Thereof: Styrenics[1]	3,313	881	940	863	834	3,518
Income from operations before depreciation and amortization (EBITDA)	(61)	(216)	(136)	(7)	184	(175)
Income from operations (EBIT) before special items	(333)	(197)	(190)	(24)	50	(361)
Income from operations (EBIT)	(272)	(274)	(195)	(61)	109	(421)
Thereof: Corporate costs[2]	(206)	(51)	(54)	(67)	(65)	(237)
Corporate research costs	(258)	(92)	(76)	(77)	(78)	(323)
Foreign currency transaction and hedging	86	3	(17)	22	81	89

[1] As of December 31, 2007, BASF's styrene monomer (SM), polystyrene (PS), styrene butadiene copolymer (SBC) and acrylonitrile-butadiene-styrene (ABS) businesses have been classified as a disposal group and are reported under 'Other'.
[2] As of January 1, 2008, corporate costs are reported under 'Other'. These costs were previously assigned to the operating divisions and hence to the segments.

Business activities not allocated to any operating division are shown under 'Other' and include, among other things:
– Sale of feedstock
– Remaining fertilizer activities
– Engineering and other services
– Rental income and leases

BASF plans to sell parts of the Styrenics division. The sales of these businesses amounted to approximately €3 billion in 2007. These concern BASF's styrene monomer (SM), polystyrene (PS), styrene butadiene copolymer (SBC) and acrylonitrile butadiene styrene (ABS) businesses with plants in Antwerp, Belgium; Altamira, Mexico; São José dos Campos, Brazil; Ulsan, South Korea; and Dahej, India. The sale is highly probable in 2008 and the business will be reported under 'Other' as of January 1, 2008 until divestiture.

From 2008 on, the costs of the corporate center will also be reported in 'Other'. In 2007, these costs amounted to about €250 million and were still allocated to the operating divisions.

The income from operations recorded under 'Other' also includes the cost of corporate research predominantly for the growth clusters described on page 25. Furthermore, 'Other' includes foreign currency results from financial indebtedness that are not allocated to the segments, hedging of forecasted foreign sales, as well as from currency positions that are macro-hedged.

Composition of assets

Million €	2006	2007
Assets of businesses included under 'Other'	2,050	1,913
Financial assets	1,841	2,786
Deferred taxes	622	679
Cash and cash equivalents/marketable securities	890	818
Defined benefit assets	367	417
Miscellaneous receivables/prepaid expenses	922	1,140
Total assets of 'Other'	**6,692**	**7,753**

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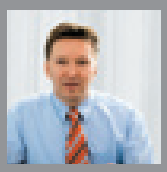

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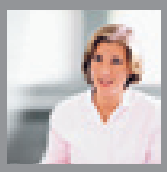

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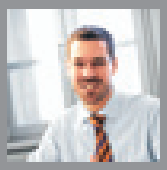

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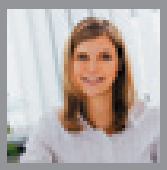

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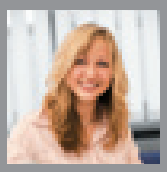

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The following publications are also available

BASF In Brief 2007
BASF Report 2007
Quarterly Reports
Facts and Figures 2008

Important dates

Interim report second quarter 2008
July 31, 2008

Interim report third quarter 2008
October 30, 2008

Full year results 2008
February 26, 2009

Interim report first quarter 2009 and Annual Meeting
April 30, 2009, Mannheim

Ex-dividend date 2009
May 4, 2009

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